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SWITCHING ACTIVITY IN RETAIL FINANCIAL MARKETS IN IRELAND

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TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

EXECUTIVE SUMMARY

The present research investigates how consumers engage with the Irish financial retail market when choosing and switching financial products. Data were gathered from a nationally representative sample of 2,903 individuals who are involved in their household financial decisions. The study used interactive online tasks to record product ownership and switching rates for the main financial products in the Irish financial retail market (bank accounts, loans, credit cards and mortgages). It also assessed consumers' behaviours related to their original product choice and when they consider whether to switch to another provider (e.g., Do they compare offers? Do they use online comparison tools?). Motivations for switching and potential barriers were also recorded.

Switching activity was considered as a spectrum of decisions and actions, ranging from not knowing one could switch to having switched successfully. This approach allowed participants to be branched in the online survey to answer tailored questions based on their individual switching activity. The findings provide novel insight into the proportion of consumers progressing into each level of the switching process. Differences in consumers' experiences of the process were explored based on switching activity, as well as socio-demographic characteristics. The results aim to identify where in the switching process better decisions can be encouraged and supported through policy interventions.

The study produced the following main findings:

- In line with previous literature, switching rates for the main financial products in Ireland are low. Despite the recent exit of two main providers from the market, switching rates in the past five years varied between 6% for mortgages and loans to 17% for bank accounts.
- Most consumers do not consider switching their loan (69%), credit card (59%) or mortgage (54%). Less than 3% of product holders start the switching process but do not end up switching.
- The most prevalent motivations for switching across products are monetary. Consumers are mostly prompted to look into switching in order to reduce spending or due to increases in price/fees by their provider, rather than seeking better customer service or different product features.
- Consumers predominantly report not having "shopped around" when originally choosing their bank accounts (73%), loans (68%) and credit cards (74%). About half of mortgage holders (46%) did not compare different offers when originally choosing their mortgage. A significant minority also report not having compared offers when looking into switching their financial products (ranging from 26% for mortgages to 46% for loans).

- Difficulty in comparing offers, uncertainty about the process, the costs and benefits of switching, and fear of making a mistake emerged as significant barriers to switching across products. Furthermore, the time-investment and paperwork required to switch are commonly reported as reasons for not switching.
- Consumers report facing more difficulties when considering switching their mortgage compared to switching other financial products.
- Women and younger consumers (18–39-year-olds) are less likely to hold credit cards or mortgages.
- Individuals with lower household income are less likely to have switched their mortgage in the past five years and less likely to have compared offers when originally getting their mortgage and credit card, compared to individuals with higher household incomes.
- Those educated below degree level are less likely to have compared offers when originally getting their products compared those educated to degree level or above.

The results suggest that switching rates could be improved by increasing consumer knowledge or comprehension of certain aspects of the market, such as procedural steps in the switching process and the benefits and costs of switching. However, boosting their capability and confidence to interact with the market is important too. A stronger focus on mortgages and loans is likely to be beneficial due to the low switching rates in the case of loans, the increased difficulties consumers face in the mortgage switching market and the scale of potential savings.

CHAPTER 1

Introduction

Consumer switching from one financial product provider to another is a cornerstone of competitive financial markets (Waterson, 2003). The potential financial gains from switching are substantial for individual consumers. For example, three in four Irish mortgage holders who are eligible to switch could save more than 10% of their total annual repayment, while one in four could save over 20% (Byrne, Devine and McCarthy, 2020a). Crucially, the potential benefits of switching extend beyond the individual switcher, as others in the market may benefit from the competitive pressure exerted by switching. When consumers search, compare offers across providers and decide to switch (or even signal an intention to switch), providers of financial products are incentivised to offer improved prices, service and quality to retain their customers and attract new ones (Farrell and Klemperer, 2007). This increased competition should result in a transfer of welfare from firms to consumers (Pomp, Shestalova and Rangel, 2005).

However, switching rates internationally, and in Ireland in particular, are low (Bajo and Barbi, 2018; European Commission, 2012; Johnson, Meier and Toubia, 2016). For example, the Eurobarometer estimates the average EU switching rate for current bank accounts over a five-year period to be around 7%, while the same estimate in Ireland is 5% (Eurobarometer, 2016). Arguably, low switching rates and the resultant reduced competition help to explain why lending rates in Ireland are higher than in other European countries and why the policy-rate changes are often not passed on to consumers through lower interest rates (O'Toole, 2017). While consumers may rationally abstain from switching due to the associated search and procedural costs, inactivity in the market could also be attributed to factors not accounted for by common economic approaches. This might include consumers being unaware of the possibility of switching, holding misperceptions about the benefits of switching and the process of doing so, or lacking the skills to navigate the market efficiently. If these factors are relevant, and past research (reviewed in more detail in subsection 1.2) suggests they are, many consumers may miss out on potential gains from switching. Moreover, interventions such as reminders and personalised information, which target behavioural barriers to switching without significantly altering the costs or benefits, have been shown to increase switching rates (Adams et al., 2015; Adams et al., 2021; Oxera and CESS, 2016). This evidence implies that there are likely to be market frictions to switching that are not captured in a simple cost-benefit framework, which may result in consumers paying in excess of the optimal market price. Hence, if policymakers can encourage and facilitate greater consumer activity in financial services, it may lead to better consumer outcomes overall.

Nevertheless, before designing policy tools for boosting switching rates, a thorough understanding of consumers' switching behaviour in the market and their experience of it is required. This study set out to examine factors such as product ownership and switching rates for key financial products (bank accounts, credit cards, loans and mortgages), as well as consumers' motivations for switching, the barriers they face along their switching journey and the search behaviours they exhibit when switching or considering switching. Crucially, we decided to compare not only switchers to non-switchers, as is commonly done in switching research, but instead to treat switching as a spectrum of decisions and actions. Some consumers may start the switching process without following through, others might contemplate it without engaging in any action and others might not even be aware that they can switch (Byrne et al., 2020b; Keys, Pope and Pope, 2016; Marandola, Proestakis, Lourenço and van Bavel, 2020). By exploring the relative prevalence of consumers falling into each group of switching activity, as well as the unique experience and behaviours of each group, common hurdles and behavioural patterns can be recognised, which may enable more targeted interventions to be designed. To the best of our knowledge, this has not been explored in detail, neither in Ireland nor in an international context. Hence, the present report aimed to deliver more detailed insights into consumers' experiences and behaviour in the Irish financial retail market.

Evidence suggests that the decision to switch may be affected by socio-demographic characteristics of consumers. For example, households with low educational attainment or with lower household income might be more at risk of making costly decisions in financial markets (Björklund and Jäntti, 2012; Calvet, Campbell and Sodini, 2009; Scholnick, Massoud and Saunders, 2013). Hence a secondary aim of this study was to illuminate differences between how socio-demographic groups engage with the financial retail market. More specifically, we examined the effects of gender, age, income and education.

The remainder of this chapter outlines relevant contextual details for switching in the Irish financial market before briefly reviewing relevant literature. The next chapter describes the methodology employed in the present research and the stages participants went through in the study. Chapter three presents the results, which are then discussed and put in the context of possible policy implications in chapter four. Finally, chapter five concludes with the main insights gathered from this research.

1.1 CONTEXT

The results of the present study should be viewed in light of two developments in the Irish financial retail market that were ongoing at the time of data collection (June 2022). First, Ulster Bank and KBC had announced their intention to leave the Irish market by 2023. At the time of the study, mortgages were largely to be transferred from Ulster and KBC to the remaining retail banks: AIB, Bank of Ireland and Permanent TSB. In relation to other accounts, KBC savings and deposit accounts were to be transferred to Bank of Ireland, as would most KBC personal loans and credit cards. KBC was to write to customers to advise them whether their loan or credit card would be included in the transfer. Ulster Bank had given customers six months' notice on a phased basis to close their accounts. These developments meant that consumers holding financial products with these banks were being pushed into switching more than would generally be the case. Moreover, this context may have had an indirect impact on general switching behaviour by increasing awareness of the possibility of switching, even among those holding products with other providers.

The second recent development is the entrance of digital banks, such as Revolut and N26, to the retail banking market. While the popularity and usage of digital banks has grown in recent years (Borges, Marine and Ibrahim, 2020), less is known about the prevalence and the patterns of use in Ireland. For example, it might be the case that some consumers replace certain products offered by more traditional banks with products offered by digital banks or that services from digital banks are used complementary to services from traditional banks.

1.2 PREVIOUS RESEARCH ON SWITCHING

1.2.1 Mortgages

Consumer switching research on financial products has focused mainly on mortgages. Recent research for the Financial Conduct Authority (FCA) in the UK investigated what differentiates mortgage switchers from non-switchers (Savanta: ComRes, 2020). The results of qualitative interviews and a quantitative questionnaire demonstrated that most non-switchers had not engaged with their mortgage for an extended period of time (e.g., they had very little communication with their lender) and were typically content with their mortgage deal. Many overestimated the difficulties of switching and underestimated the benefits of doing so. This mirrors research demonstrating that a significant proportion of mortgage holders have poor understanding of the switching process in general (Keys et al., 2016). For example, survey research on over 2,000 mortgage holders in Ireland demonstrated that 81% of mortgage holders had no experience with mortgage switching, nor had ever considered switching (Byrne et al., 2020a). Over half were uncertain if they could save money by switching (despite the high proportion who could save) and could not accurately estimate the legal costs involved in mortgage switching.

Many consumers recognise their lack of knowledge and the complexity of the market, citing these as reasons not to engage in switching (Byrne et al., 2020a). The fear that many consumers have of making mistakes ties in with experimental evidence suggesting that consumers who have greater awareness of all that is involved in the mortgage switching process are more willing to switch (Timmons, Barjaková, McElvaney and Lunn, 2022). This is because those who perceive the switching costs more accurately and have a more representative perception of market conditions are also less likely to feel that they would make a mistake in their switching decision. This worry of making a mistake, along with other factors such as underestimating the benefits of switching, might further explain why switching rates are low even where potential gains are substantial and awareness of switching is established (Bajo and Barbi, 2018).

Despite these findings, the above-mentioned research carried out for the FCA (Savanta: ComRes, 2020) found that the majority of non-switchers felt more confident in relation to their current mortgage compared to switchers. This finding has multiple potential explanations. Non-switchers could have invested more effort when making their initial choice and, therefore, may pay less attention to the potential benefits of switching down the line or be reluctant to exert the same level of effort again. A contrasting explanation is that some consumers might overestimate their competence in identifying good value financial products, whether choosing or switching. Alternatively, some consumers may incorrectly assume that their provider's pricing is competitive, perhaps because they place too much weight on brand. Whatever the explanation, this finding highlights the importance of examining not only consumers' switching experience but also their original choice of product.

1.2.2 Other Financial Products

Broader research on other financial products shows that actual switching and stated propensity to switch tend to be low in many countries. Despite relatively low levels of product satisfaction, Eurobarometer data for 2012 and 2016 show that the proportion of the population who switched bank accounts during the previous five years was consistently below 10% for almost all countries (European Commission, 2019), with slightly higher rates in Denmark and Sweden. Even fewer European consumers switched mortgages. Similarly, over a three-year period, fewer than one in five Australian consumers had switched the provider of any of their financial products (Deloitte, 2019). While low, propensity to switch can vary significantly across different financial products. A survey of Dutch citizens found that participants were most likely to report that they would switch savings accounts (10.2%), followed by payment accounts (6.8%), mortgage loans (6.4%), and revolving credits (5.7%), respectively (van der Cruijsen and Diepstraten, 2017).

Although there is some variation across products, many common switching behaviours and barriers outlined in the above literature on mortgages seem to apply to other products. In Australia, about one-third of people had engaged in any search behaviour related to the financial products that they held in the previous three years, for example by looking at price comparison websites, online reviews or seeking additional information about alternative products (Deloitte, 2019). In the Dutch study, the most important factors explaining variation in propensity to switch across all products were satisfaction with their current bank, the perception that there is not much to gain from switching, and the belief that it costs a lot of time and money. Many European consumers also believe that there is little point to switching or perceive obstacles and difficulties in the switching process (European Commission, 2019). Many also believe that providers are very similar and struggle to estimate how much they could save by switching (European Commission, 2012). Hartfree et al. (2016), suggest that switchers are more motivated by 'pull' factors compared to non-switchers. This finding is supported by survey data showing that better fees or interest rates (40%) and better service by another provider (32%) were the main motivations for switching bank accounts (European Commission, 2012).

1.2.3 Recent Research in Ireland

A recent study commissioned by the Department of Finance in Ireland provides insight into consumers' experience and perceptions of the banking sector across a range of products (Department of Finance, 2022). Using data from a quantitative face-to-face survey, this study estimates switching rates of 2–5% in the past five years, depending on the financial product. Estimations of the proportion of the population who had considered switching show that while 14% thought about switching their current account, only 6% reported having considered switching their personal loan.[1] Switchers reported being motivated by better prices, dissatisfaction with their previous provider, and their provider leaving the market. Those who considered switching but did not switch in the past five years reported a general difficulty in switching, a lack of alternative providers and lack of time.

The Department of Finance survey provides a more detailed view into consumers' experience of switching across a range of products than existed previously. Nevertheless, many aspects of the switching experience remain to be explored. For example, it remains unclear whether the drivers of looking into switching differ for those who ultimately switch compared to those who do not. Furthermore, the consumers who start the process but do not complete it might be qualitatively different to those who only thought about switching or those who investigated other offers but did not pursue switching. It is possible that factors impacting their decision-making, such as the motivation for switching or perceived difficulties in the process, will differ for each group. The study also found that almost one in five use digital banks such as Revolut and strongly believe that the services offered by fintech providers are a very good substitute for the services offered by more traditional banks. Yet, whether this belief will alter how consumers use more

[1] Many of these figures should only be considered indicative due to the low base sizes of switchers for each product.

traditional banking services is not yet clear.

1.2.4 Socio-demographic Differences

People with higher income and higher educational attainment are more likely to switch financial products (Andersen et al., 2015; Keys et al., 2016). Research on mortgages also shows that younger individuals tend to engage more in the switching market (Kiser, 2002). Moreover, recent evidence suggests that administrative barriers, which are common in the financial retail market, have a disproportionately negative impact on lower income households in many domains, including personal finance (Martin, Delaney and Doyle, 2022). Some studies also find gender effects, whereby female borrowers are less likely to refinance their mortgage (Savanta: ComRes, 2020). Nevertheless, it should be noted that these relationships are not always straightforward and that neither those who switch nor those who do not are homogenous groups. The present research aims to give insight into the behavioural patterns across the selection and switching process that underlie the observed differential outcomes between socio-demographic groups.

1.3 STATEMENT OF CONTRIBUTION AND RESEARCH QUESTIONS

In summary, the present report set out to deliver a comprehensive insight into how consumers engage with the Irish financial retail market when choosing and switching financial products. Differences in consumers' experiences of the process were explored based on switching activity, as well as socio-demographic characteristics. More specifically, the following research questions were addressed:

> *RQ1*: What are the current product ownership and switching rates for the main financial products in the Irish financial retail market?
>
> *RQ2:* What proportion of consumers falls into each of the six levels of switching activity defined in the context of the present research, e.g., how many never consider switching or how many start the process without completing the switch?
>
> *RQ3*: How do consumers first engage in the financial retail market when choosing their original products (e.g., Do they compare offers? Do they use online comparison tools?) and how does this differ based on later switching activity and socio-demographic background?
>
> *RQ4*: What are consumers' motivations for switching and how do these differ based on socio-demographic background and ultimate switching success?
>
> *RQ5*: How do consumers engage in the financial retail market when

switching/considering switching and how does this differ based on socio-demographic background and ultimate switching success?

RQ6: What barriers do consumers face along their switching journey and how do these differ based on socio-demographic background and ultimate switching success?

The present report contributes to the literature by treating switching as a spectrum of decisions and actions, thus allowing for a more granular understanding. This approach to switching will provide novel insight into how far people get into the process, which barriers they face in each step of the process and what motivates their searching and switching behaviour for each product. Moreover, switching is not examined in isolation, but is contextualised within consumers' initial choice of financial products and their more general financial behaviour. Lastly, the range of products examined sets this research apart from many previous comparable in-depth studies, which have looked either at individual products (e.g., Byrne et al., 2020a; Savanta: ComRes, 2020) or a smaller subset (e.g., European Commission, 2012).

The results of the present study help to identify where in the switching process better decisions can be encouraged and supported through policy interventions. As the presented research forms part of a larger overarching research programme, the insights gathered aim eventually to inform the design of scalable decision aids, which will be tested in a controlled laboratory environment, with the most successful versions being rolled out in the field. The overriding aim of the research project is to deploy various methods, such as online diagnostic surveys, lab and field experiments, to encourage consumers to switch and, crucially, to improve the quality of their decisions and, thereby, to promote consumer welfare. While implications for policy are drawn where appropriate, the primary focus of the present paper is to provide a descriptive yet detailed overview of consumers' behaviour and experience in the financial retail market. Specific drivers of switching and targeted interventions to address low switching rates and low public engagement in switching will be examined in future output from this research project.

CHAPTER 2

Method

2.1 PARTICIPANTS

Three thousand participants were recruited from two separate large online panels held by two leading market research and polling companies[2]. Data were collected between 10 and 29 June 2022. Socio-demographic characteristics of the sample are summarised in Appendix A. Participants only completed the questionnaire if they were involved in the financial decision-making of their household. This was defined as experience with at least one of the following: choosing their individual bank account or mortgage, deciding how much to pay in rent, whether to get a loan, choosing and paying for a credit card, making investments, or switching between different providers for financial products. In addition to being involved in the financial decisions of their household, participants were required to own at least one of the financial products of interest in this study, namely bank accounts, credit cards, loans and mortgages. This resulted in a sample of 2,903[3] who completed the switching questionnaire. While the sample was focused on financial decision-makers, the sample approximates the latest Central Statistics Office (CSO) figures as well (see Appendix A), although the 60+ age category is comprised primarily of those aged 60 to 70 years (75% of the age category), with few aged over 80 years (less than 2% of that age category). Participants were paid between €4 and €4.50, depending on the recruiter, for undertaking the study, which took about 20 minutes to complete on average.

2.2 MATERIALS AND DESIGN

The study was programmed using Gorilla Experiment Builder (Anwyl-Irvine et al., 2020). Before starting the survey, participants were presented with an information sheet outlining the format and general aim of the study (absent detail about specific hypotheses) as well as the estimated duration of the study. Subsequently, participants gave informed consent. None of the questions in the questionnaire could be skipped.

The stages reported below form part of a larger study conducted for the Department of Finance. The methods and results outlined in this report descriptively capture consumers' journeys from their original choice to their

[2] RED-C Research & Marketing (https://redcresearch.ie/techniques/online-research/), Behaviour & Attitudes (https://banda.ie/). Panel details for Behaviour & Attitudes can be found on the study's OSF page (https://osf.io/98bvw/).

[3] 57 participants were excluded because they reported not being responsible for financial decisions in their houses and a further 40 were excluded because they reported not holding any of the relevant financial products.

experience of the switching process. In contrast, other parts of the questionnaire that participants completed aimed to capture the drivers of switching and common predictors of switching, such as perceptions of savings or financial literacy, as well as some experimental tasks testing how certain features of financial products might impact switching decisions. These are beyond the scope of the present report and are the subject of a separate paper.

The study was pre-registered in line with best scientific practice (Munafò et al., 2017) and materials are publicly available on the study's OSF page (https://osf.io/98bvw/). This includes the complete instrumentation and pre-registration, which are not included in the appendices due to their length.

2.3 PROCEDURE

The study was organised into four stages. All participants completed Stage 1, where their eligibility was assessed and their ownership of financial products was recorded. If participants met the eligibility requirements for the study, they further completed Stages 2–4 or else they were directed to the socio-demographic questions at the end of the questionnaire. Throughout the next stages the questions presented to participants were tailored to the specific products they reported holding in Stage 1. In Stage 2, participants indicated their switching activity in the last five years sequentially for each of up to four financial products they held. Stage 3 recorded participants' experience with choosing their original product(s). Stage 4 constituted the core of the questionnaire where participants' switching experience over the last five years was captured. The questions in this stage were again presented sequentially for each product in descending order, starting from the one for which they had progressed furthest into the switching process to the one for which they had progressed the least. The content of the questions and tasks in this stage was further tailored to the reported switching history for each product. Each stage is outlined in more detail below.

2.3.1 Stage 1: Filter Questions and Product Ownership

In Stage 1, participants completed the filter questions about their involvement in the financial decision-making of their household, followed by a series of questions on product ownership. Participants reported which financial products they held at the time of the study, as well as if they had a mortgage or personal loan in the past five years, even if they didn't hold these products anymore. This was done because mortgages and loans, in contrast to bank accounts and credit cards, are inherently time limited. Moreover, we expected a lower number of mortgage and loan holders compared to the other products. Thus, people who owned a mortgage/loan in the past five years, but had since paid off their balance, were branched into the same version of the questionnaire as those who held the two products at the time.

Next, participants were asked to choose the provider(s) for each of their products out of a list gathered from the Competition and Consumer Protection Commission's (CCPC) website, containing the banks and financial institutions providing each financial product. Since this list is non-exhaustive, an 'other' option was also provided. For each product held with each provider, participants then rated their satisfaction with the price they pay on their product, as well as the customer service of the provider[4]. Participants answered these questions before being informed of the main subject of the study (switching), and hence were not primed to think about their satisfaction depending on whether they had switched, which might have biased perceived satisfaction.

2.3.2 Stage 2: Levels of Switching Activity

In Stage 2, participants were asked about their switching history and activity.

First, for each product they held, participants were asked whether they had ever switched and, if so, when. Participants were instructed that switching could entail switching to an external provider or actively refinancing with their current provider (i.e., not being rolled over to a new contract). The option that they did not know that they could switch was also included for each product. Participants who had switched in the last five years were considered 'switchers' in the context of this study. 'Non-switchers' were defined as those who indicated never switching, having switched more than five years ago or not knowing they could switch.

Moreover, in contrast to previous research on consumer switching, switching activity was not recorded merely as a binary yes/no behaviour, but instead as an ordinal variable. Non-switchers were asked a detailed follow-up question about their switching activity in the past five years, such as whether they had thought about switching.[5] The answers from both switching questions allowed us to identify six levels of switching activity. These were:

1. not knowing that one can switch;
2. not having considered switching;
3. having thought about switching without taking any action;

[4] Due to the way this question was worded, we could not use it in the main analysis (see Appendix B for a descriptive overview). Many participants held multiple products (at least for bank accounts, loans and credit cards) and we did not record which one was their main product. Thus, we could not link the product satisfaction data to participants' other responses in the survey, which were based on their experience with their main product. Moreover, since we defined switching as getting a new product with the intention of closing the old account (even if participants had not done so yet), on a participant level, the average satisfaction with their product could have contained an older product which they had not yet closed. This prevented reliable analyses on differences in satisfaction between switchers and non-switchers.

[5] 'I never considered switching my [product] in the past five years', 'I thought about switching my [product] (again) but never did anything', 'I looked into switching my [product] (again) but didn't take it very far. (For example, I checked what other companies offered or what the switching process involved, but I did not take any formal steps like filling out forms or contacting companies)', 'I started the process of switching my [product] (again) but didn't complete it. (For example, I contacted my current company about leaving, an alternative company about joining them or a broker.)'

4. having looked into switching without engaging in formal action, e.g., by contacting the current/alternative company or a broker;
5. having started the process without finishing;
6. having switched.

The five-year time limit was set to ensure that participants' recollections of their switching process would be reasonably intact and to further minimise the impact of any longer-term changes and trends in the market that would diminish the relevance of the findings to the current market. Sensitivity checks were carried out, by including those who switched more than five years ago in the switcher category. This did not change any of the main findings of the study, although some effects were weaker. This may have been due to added noise from the group who switched more than five years ago and might not have recalled their actions as accurately as those who switched more recently. A further sensitivity check was carried out by dropping those who switched more than five years ago from the analysis. This also did not change any of the main results to a notable extent. Moreover, the proportion of people in the non-switcher category who switched more than five years ago was small (see Appendix C). Overall, we are therefore confident that by focusing only on participants' switching activity in the past five years, regardless of their previous switching history, we accurately capture the differences in behaviour and engagement in the market between switchers and non-switchers, together with the five distinct sub-groups of non-switchers.

2.3.3 Stage 3: Choice of Original Product

Stage 3 concerned the participants' choice of their original product, i.e., their first bank account/credit card/loan/mortgage. This stage included questions about the number of offers they compared from different banks/financial institutions when originally choosing their product. If participants reported that they had not compared offers, they were asked to choose the option which best applied to them out of those provided (e.g., 'I don't remember choosing it or someone else set it up for me'). If, on the other hand, they reported comparing offers, they were asked how many offers they compared. For mortgages, they were additionally asked whether they had used a mortgage broker and the product comparison questions were tailored to reflect this. Subsequently, their use of online decision aids and resources was recorded.

2.3.4 Stage 4: Switching Experience

In Stage 4, participants were asked about their overall switching experience. These questions were tailored to their reported level of switching experience in the past five years specific to each product they held. First, participants who had at least thought about switching were asked to indicate the prompts that motivated them to consider switching. Participants selected these prompts and motivations from a list containing product-specific (e.g., fixed-rate period on a mortgage coming to an end), as well as product-general options (wanting to reduce one's spending).

Those who reported having looked into switching or having started the process or having switched in the last five years were then asked to select all the steps that they took in the process of switching (or considering it). Participants who had switched their bank account were asked to indicate whether they had used the switching pack provided by their bank (under the switching code of the Central Bank of Ireland). Subsequently, the use of online tools to switch was recorded for those who at least looked into switching.

Next, those participants who at least looked into switching ranked the features of the product that they found attractive compared to their previous product. Participants were instructed to only rank options that were important to their decision to switch, in descending order based on importance. Similar to the question on motivation, some of the options were product specific while others were general. Mortgage switchers were further asked what kind of mortgage they switched to and what kind of mortgage they switched from.

The next question concerned difficulties faced in the process of switching by those who had at least looked into switching. Participants were presented with a comprehensive list of potential barriers (e.g., the amount of paperwork required) and were asked to select all that applied to their experience. The option to enter in a textbox any barrier not included in the list was also provided. Similarly, those who considered switching but did not start the process and those who started but did not finish were asked to choose the main reason for not starting the process or completing the process, respectively. Finally, participants were asked to indicate how satisfied they were with their decision to switch or not on a response scale from 1 (not at all satisfied) to 7 (extremely satisfied).

The study concluded with questions about the participants' background characteristics, including age, gender, household income, education, employment and rurality.

CHAPTER 3

Results

The first section in this chapter reports descriptive statistics on product ownership and switching history, followed by statistics on the choice of original product and switching activity in the last five years. These statistics will be grouped by financial product and where relevant by socio-demographic groups, as well as switching history. Where statistical models are used, coefficients are transformed to odds ratios in the result tables to allow easier interpretation. Where logistic regressions are used, tables report odds ratios. An odds ratio greater than one indicates that the event captured in the dependent variable (e.g., having switched vs. not having switched) is more likely to have occurred for that category of the predictor relative to the reference category. An odds ratio below one indicates that the event is less likely to have occurred for that category, again relative to the reference category. Descriptive statistics will be used for intergroup comparisons based on these models within the text.

3.1 PRODUCT OWNERSHIP AND SWITCHING RATES

The vast majority (98%) of financial decision-makers in the sample reported having a bank account, whereas 55% reported having a credit card, followed by 50% holding a personal loan and 41% having a mortgage (see Figure 3.1). Just 1% indicated not holding any of these products. The majority of respondents (70%) had only a traditional bank account, while 30% had an account with a digital bank (e.g., Revolut or N26) in addition to their traditional bank account. Less than 1% reported having only a digital bank account.

Logistic regression models predicting ownership of each financial product based on socio-demographic characteristics revealed significant differences (see Table 3.1). Specifically, men compared to women were more likely to report holding a credit card (61% vs. 49%), loan (52% vs. 47%) or mortgage (46% vs. 37%). Low-income participants were also much less likely to report holding a mortgage compared to middle- and high-income participants (25% vs. 47% and 67%, respectively), as well as holding a credit card (44% vs. 62% vs. 69%), bank account (97% vs. 99% vs. 99%) or loan (48% vs. 55% vs. 54%). Similar patterns were observed when considering levels of education, with 51% of those educated below degree level indicating holding a credit card, compared to 62% of those educated to degree level or above. However, for loans, this trend was reversed, with a higher percentage of those educated below degree level indicating holding a loan (52% vs. 47%). The most notable age-differences are in the ownership of credit cards, which rises significantly depending on age, from 41% for 18–39-year-olds to 54% for 40–59-

year-olds and 74% for 60+-year-olds.[6] Mortgage ownership also rises significantly from 33% for 18–39-year-olds to 56% for 40–59-year-olds and falls to 28% for 60+-year-olds. Lastly, those aged over 60 were significantly less likely to report having a loan compared to 18–39-year-olds (41% vs. 53%).

FIGURE 3.1 PERCENTAGE OF FINANCIAL DECISION-MAKERS HOLDING EACH PRODUCT

Source: Authors' analysis.

[6] The high proportion of credit card ownership among over 60s is likely a result of the high concentration of respondents in their 60s in this age category.

TABLE 3.1 LOGISTIC REGRESSION MODELS PREDICTING OWNERSHIP OF EACH PRODUCT BASED ON SOCIO-DEMOGRAPHIC VARIABLES

	(1) Bank account	(2) Mortgage	(3) Loan	(4) Credit card
Age category (Ref: 18–39 years)				
40–59 years	2.37^{**} (0.80)	3.02^{***} (0.30)	0.90 (0.08)	1.92^{***} (0.18)
60+ years	2.63^{**} (1.04)	0.89 (0.10)	0.55^{***} (0.06)	5.30^{***} (0.60)
Income (Ref: Lower)				
Middle	3.49^{***} (1.48)	2.80^{***} (0.28)	1.34^{***} (0.12)	2.17^{***} (0.21)
Higher	3.73^{***} (1.88)	6.01^{***} (0.71)	1.28^{**} (0.14)	2.84^{***} (0.33)
Prefer not to say	1.26 (0.57)	1.56^{***} (0.24)	0.46^{***} (0.07)	1.41^{**} (0.20)
Degree (Ref: Below degree)	1.23 (0.39)	1.15 (0.10)	0.69^{***} (0.06)	1.60^{***} (0.14)
Female (Ref: Male)	1.40 (0.41)	0.86^{*} (0.07)	0.84^{**} (0.07)	0.80^{***} (0.07)
N	2903	2903	2903	2903

Source: Authors' analysis.
Note: Odds ratios with standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
Lower income (<39,000€ yearly gross household income), Middle income (40,000–70,000€ yearly gross household income), Higher (>70,000€ yearly gross household income)

Switching rates across participants' lifetimes were highest for bank accounts (38%), followed by credit cards (25%), mortgages (18%) and loans (9%). For the last five years, the pattern was similar, although naturally at a lower magnitude. Again, for this time-period, switching rates were highest for bank accounts (17%), followed by credit cards (13%), mortgages (6%) and loans (6%). Of those who switched their bank account, 22% reported having used the switching pack provided under the switching code of the Central Bank of Ireland, introduced in 2016.

To examine the impact of Ulster Bank and KBC on the reported numbers, the same analysis was run excluding those who indicated that they switched or looked into switching because their bank was leaving the Irish market. This resulted in switching rates dropping to 13% for bank accounts and 10% for credit cards, but mortgages and loans remained at 6%.

3.2 LEVELS OF SWITCHING ACTIVITY

Those who had never switched their product and those who indicated that they had switched more than five years ago were asked to provide more detail regarding their (lack of) switching activity in the past five years. Participants most frequently indicated that they did not consider switching in the past five years, ranging from

45% for bank accounts to 69% for loans (see Figure 3.2). The proportions who had considered switching but not done anything about it (e.g., contacting an alternative provider or filling out an application form) ranged from 11% for loans to 24% for bank accounts. Excluding those who looked into switching due to their bank leaving the Irish market resulted in a slight drop in the proportion of consumers who looked into switching for each product and a slight increase in the proportion of consumers who never considered switching (see Appendix D).

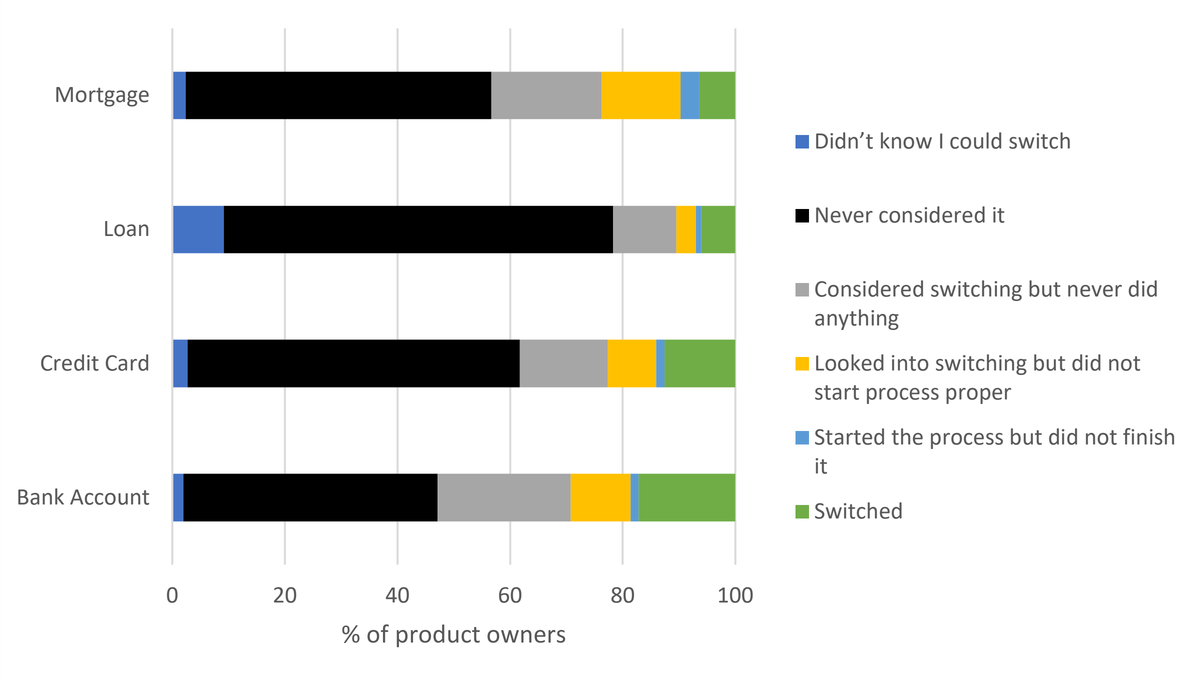
Participants were more likely to report that they did not know they could switch their loan or to report that they never considered it (78%) than all other products[7]. Meanwhile, consumers were more likely to indicate that they had looked into switching their mortgages without taking any action (14%), compared to the other products[8]. Additionally, participants reported that they had started the process of switching but did not complete it significantly more frequently for mortgages (3%) compared to bank accounts (1%; $Z = 3.97$, $p < .001$), credit cards (2%; $Z = 3.23$, $p = .001$) and loans (1%; $Z = 4.30$, $p < .001$).

Socio-demographic differences were evident in switching activity across products. Those with a lower household income were more likely to report not knowing that they could switch for each product except for loans, as did younger participants for mortgages, loans and credit cards (see Appendix E). Women were more likely to report not having considered switching (including not knowing they could switch) their bank accounts, loans and credit cards, as were older participants for each of the four products (see Appendix F). Consumers educated to degree level or above were less likely to have reported not considering switching their bank account and mortgage. On the end of the switching spectrum, older people were less likely to have switched in the last five years for each product except loans, while men were more likely to report having switched their bank accounts (19% vs. 16%; see Table 3.2). Those educated to degree level or above were also more likely to have switched their bank account (21% vs. 15%) and mortgage (10% vs. 4%) compared to those educated below degree level, while those with a higher household income were much more likely to switch their mortgage (11% vs. 3%) and credit card (17% vs. 9%) compared to those with a lower household income.

[7] Loans vs. bank accounts: $Z = 14.92$, $p < .001$; loans vs. mortgages: $Z = 7.82$, $p < .001$; loans vs. credit card: $Z = 5.80$, $p < .001$.

[8] Mortgages vs. bank accounts: $Z = 3.06$, $p = .002$; mortgages vs. loans: $Z = 9.80$, $p < .001$; mortgages vs. credit card: $Z = 4.55$, $p < .001$.

FIGURE 3.2 SWITCHING ACTIVITY FOR THE LAST FIVE YEARS



Source: Authors' analysis.

TABLE 3.2 LOGISTIC REGRESSION MODELS PREDICTING WHETHER PARTICIPANTS SWITCHED IN THE PAST FIVE YEARS

	(1) Bank account	(2) Mortgage	(3) Loan	(4) Credit card
Age category (Ref: 18–39 years)				
40–59 years	0.94 (0.11)	0.91 (0.24)	0.85 (0.21)	0.99 (0.18)
60+ years	0.60*** (0.08)	0.21** (0.13)	0.85 (0.26)	0.64** (0.13)
Income (Ref: Lower)				
Middle	0.85 (0.11)	1.27 (0.57)	0.66 (0.19)	1.48* (0.30)
Higher	1.08 (0.15)	3.14*** (1.31)	1.21 (0.35)	1.86*** (0.40)
Prefer not to say	0.66** (0.14)	1.68 (0.99)	0.75 (0.40)	1.66* (0.50)
Degree (Ref: Below degree)	1.31** (0.14)	1.86** (0.51)	1.00 (0.24)	0.98 (0.16)
Female (Ref: Male)	0.82* (0.08)	1.08 (0.28)	1.28 (0.30)	0.83 (0.13)
N	2854	1190	1440	1597

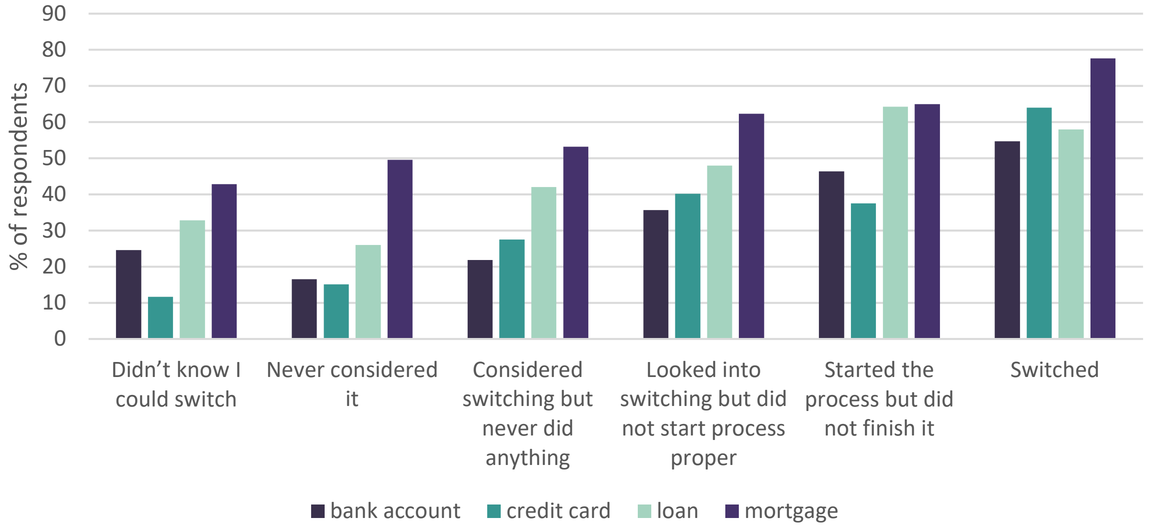
Source: Authors' analysis.
Note: Odds ratios with standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
Lower income (<39,000€ yearly gross household income), Middle income (40,000–70,000€ yearly gross household income), Higher (>70,000€ yearly gross household income)

3.3 CHOICE OF ORIGINAL PRODUCT

When choosing their original product (i.e., their first ever bank account or mortgage, etc.), about one-fourth of bank account (27%) and credit card (26%) owners reported comparing different offers before choosing. A significantly higher proportion of people compared offers for loans (32%). A higher proportion again compared mortgages (54%) – significantly higher than for all other products[9]. Across products, individuals who had proceeded further into the switching process tended to report that they had originally compared offers more (Figure 3.3). Statistical models predicting the likelihood of having compared offers from switching activity and socio-demographic characteristics reveal differences while controlling for other characteristics (Table 3.3). Participants who had switched a certain product were much more likely to report having compared different offers when originally choosing that product compared to non-switchers. This difference was particularly pronounced for those who switched their credit cards (64% vs. 20%) and bank accounts (55% vs. 21%), yet statistically significant across all products. Men also reported comparing offers more often than women for bank accounts (30% vs. 24%), mortgages (58% vs. 50%) and credit cards (28% vs. 22%). 18–39-year-olds (65%) were more likely to have compared offers than 40–59-year-olds (52%) and 60+-year-olds (46%) for mortgages. For loans, those with a higher (40%) or middle household income (35%) compared to lower income households (25%) were more likely to have compared offers. Those aged over 60 were more likely to have compared offers for loans compared to those aged 18–39 (35% vs. 31%). Lastly, those educated to degree level or above were significantly more likely to have compared offers than those educated below degree level across for each product.

[9] credit card vs. loan: $Z = -3.66$, $p < .001$; bank accounts vs. loans: $Z = -3.16$ $p = .002$; credit card vs. mortgage: $Z = -15.43$; loan vs. mortgage $Z = -11.73$, $p < .001$; bank accounts vs. mortgages $Z = -16.57$, $p < .001$

FIGURE 3.3 WHETHER OFFERS WERE COMPARED FOR THE ORIGINAL PRODUCT BASED ON LATER SWITCHING ACTIVITY



Source: Authors' analysis.

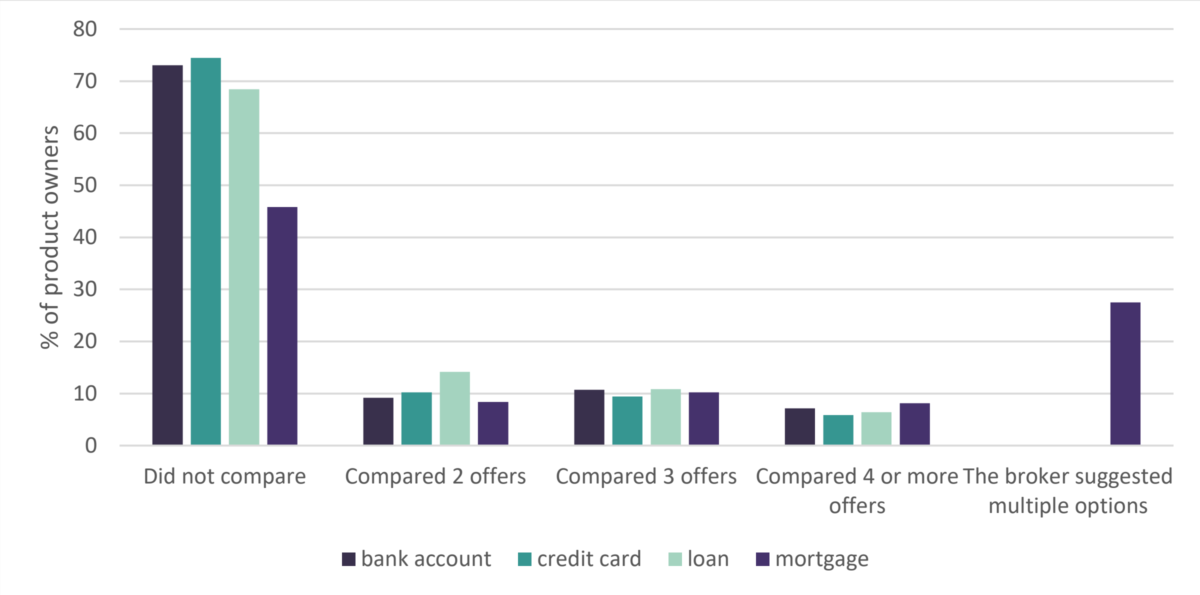
TABLE 3.3 LOGISTIC REGRESSION MODELS PREDICTING WHETHER OFFERS WERE COMPARED FOR THE ORIGINAL PRODUCT

	(1) Bank account	(2) Mortgage	(3) Loan	(4) Credit card
Switcher (Ref: Non-switcher)	4.34*** (0.46)	2.49*** (0.72)	3.48*** (0.81)	6.88*** (1.13)
Age category (Ref: 18–39 years)				
40–59 years	1.15 (0.12)	0.65*** (0.09)	1.08 (0.15)	1.17 (0.18)
60+ years	0.80* (0.10)	0.55*** (0.10)	1.42** (0.23)	0.79 (0.13)
Income (Ref: Lower)				
Middle	1.23* (0.13)	1.24 (0.20)	1.64*** 0.23)	1.17 (0.18)
Higher	0.92 (0.11)	1.54** (0.26)	1.68*** (0.27)	1.24 (0.21)
Prefer not to say	0.65** (0.12)	0.90 (0.23)	0.76 (0.23)	0.81 (0.21)
Degree (Ref: Below degree)	1.39*** (0.13)	1.46*** (0.19)	1.87*** (0.23)	1.51*** (0.19)
Female (Ref: Male)	0.76*** (0.07)	0.80* (0.10)	0.97 (0.12)	0.78* (0.10)
N	2860	1192	1445	1599

Source: Authors' analysis.
Note: Odds ratios with standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
Lower income (<39,000€ yearly gross household income), Middle income (40,000–70,000€ yearly gross household income), Higher (>70,000€ yearly gross household income)

Those who reported comparing different offers mostly compared two offers for loans and credit cards (45% and 40%, respectively), but three offers for bank accounts (40%) and mortgages (38%). A minority of 20–30%, depending on the product, compared four or more offers. More detail on the number of offers compared for each product can be found in Figure 3.4.

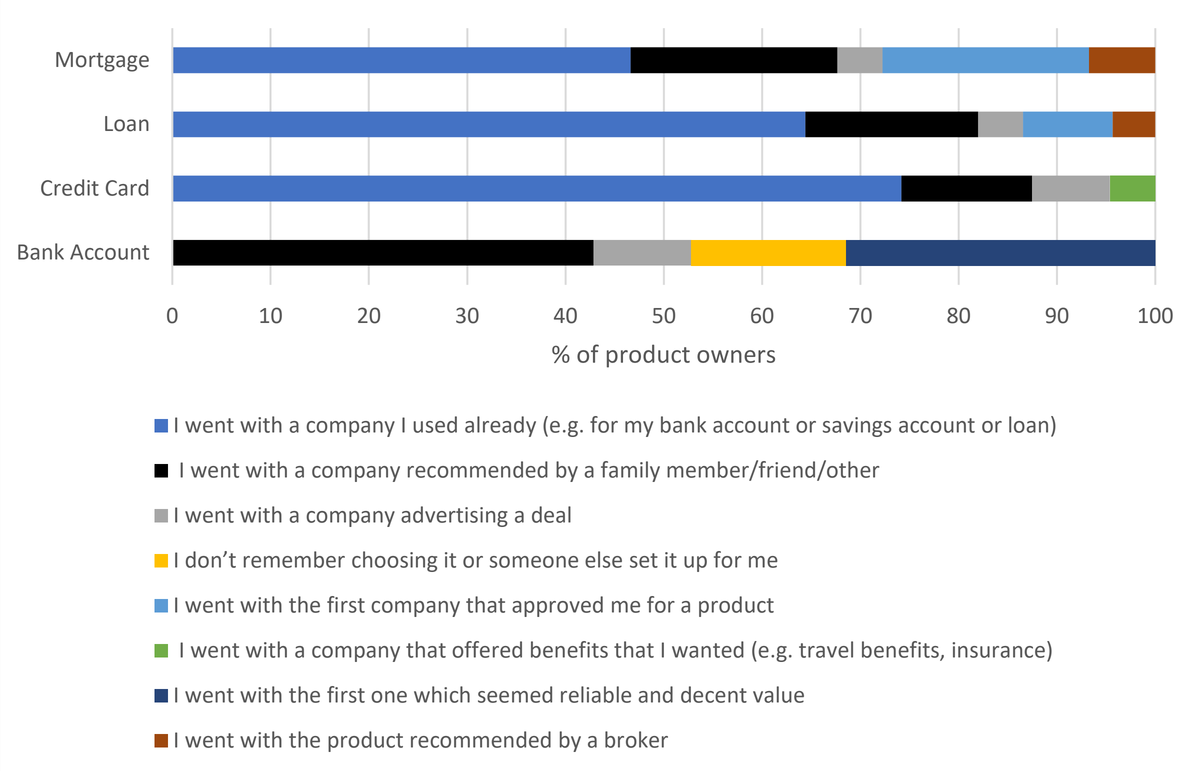
FIGURE 3.4 NUMBER OF OFFERS COMPARED FOR ORIGINAL PRODUCT



Source: Authors' analysis.

Those who did not compare offers were asked to indicate how they chose their product (see Figure 3.5). For bank accounts, the most common response was that participants chose a company recommended by family/friends (43%), whereas for the rest of the products, people chose a product from companies that they already had other products with, such as a bank account.

FIGURE 3.5 METHOD OF CHOOSING ORIGINAL PRODUCT AMONG THOSE WHO DID NOT COMPARE OFFERS

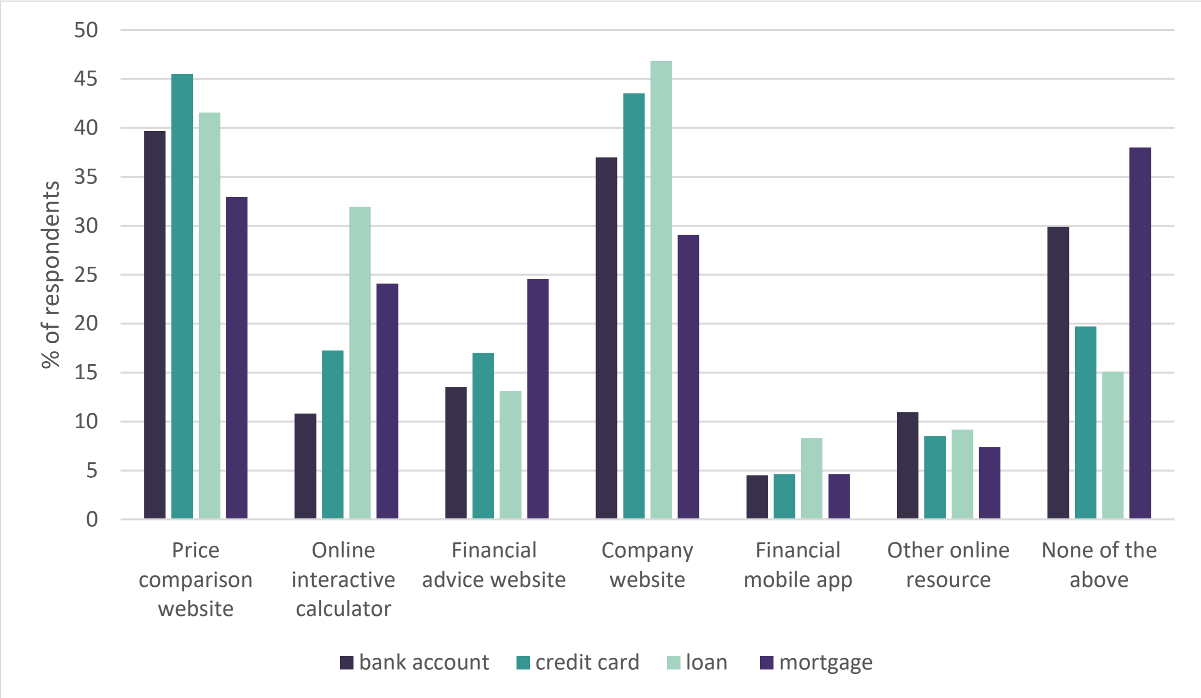


Source: Authors' analysis.
Note: Bank Accounts (*n* = 2079), Credit Cards (*n* = 1188), Loans (*n* = 989), Mortgages (*n* = 371)

When comparing offers for their original product, consumers' use of online tools varied significantly depending on the product. Whereas only 15% of respondents report not having used any of the online tools listed to inform their choice of loan, for mortgages the figure is 38% (see Figure 3.6). Price comparison websites (32%–46%, depending on the product) and individual company websites (29%–47%, depending on the product) were the most frequently used online resources.

Logistic regression models (Table 3.4) show that those who ended up switching their product were more likely to report having used at least one kind of online tool when comparing offers to inform their choice compared to non-switchers for bank accounts (82% vs. 64%), mortgages (80% vs. 60%) and credit cards (88% vs. 77%). Moreover, men were more likely to use online tools to inform their choice of mortgage compared to women (66% vs. 56%). Furthermore, there were age-related differences, as 40–59-year-olds were significantly less likely to have used at least some kind of online tool for bank accounts and mortgages compared to 18–39-year-olds, as were those aged over 60 compared to 18–39-year-olds for each of the four products. Moreover, ad-hoc pairwise comparisons showed that for all products, those aged over 60 were less likely to have used at least some kind of online tool for each product compared to those aged 40–59[10]. These age differences suggest the potential for cohort effects, which we discuss in Chapter 4. Those with higher educational attainment were more likely to have used online tools when comparing offers for their mortgage compared to those educated below degree level (68% vs. 55%). There were no significant differences depending on household income.

FIGURE 3.6 USE OF PRICE COMPARISON WEBSITES, FINTECH AND OTHER ONLINE RESOURCES FOR ORIGINAL CHOICE OF PRODUCT



Source: Authors' analysis.

[10] bank accounts: Z = 3.90, p < .001; mortgages: Z = 5.25, p < .001; loans: Z = 3.81, p < .001; credit cards Z = 4.38, p < .001

TABLE 3.4 LOGISTIC REGRESSION MODELS PREDICTING NOT HAVING USED ANY ONLINE TOOLS WHEN COMPARING OFFERS FOR THE ORIGINAL PRODUCT

	(1) Bank account	(2) Mortgage	(3) Loan	(4) Credit card
Switcher (Ref: Non-switcher)	0.43*** (0.08)	0.52* (0.19)	0.45 (0.25)	0.50** (0.17)
Age category (Ref: 18–39 years)				
40–59 years	2.28*** (0.47)	2.63*** (0.56)	1.07 (0.38)	2.77** (1.24)
60+ years	5.03*** (1.18)	10.18*** (3.00)	3.70*** (1.30)	9.99*** (4.44)
Income (Ref: Lower)				
Middle	0.78 (0.16)	1.11 (0.27)	0.62 (0.22)	0.67 (0.23)
Higher	0.88 (0.21)	1.29 (0.33)	1.16 (0.42)	0.64 (0.23)
Prefer not to say	0.66 (0.26)	1.82 (0.72)	2.17 (1.40)	1.16 (0.65)
Degree (Ref: Below degree)	1.04 (0.18)	0.69** (0.13)	0.86 (0.25)	1.25 (0.35)
Female (Ref: Male)	1.13 (0.20)	1.72*** (0.32)	1.09 (0.31)	1.71* (0.48)
N	775	646	456	411

Source: Authors' analysis.
Note: Odds ratios with standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
Lower income (<39,000€ yearly gross household income), Middle income (40,000–70,000€ yearly gross household income), Higher (>70,000€ yearly gross household income)

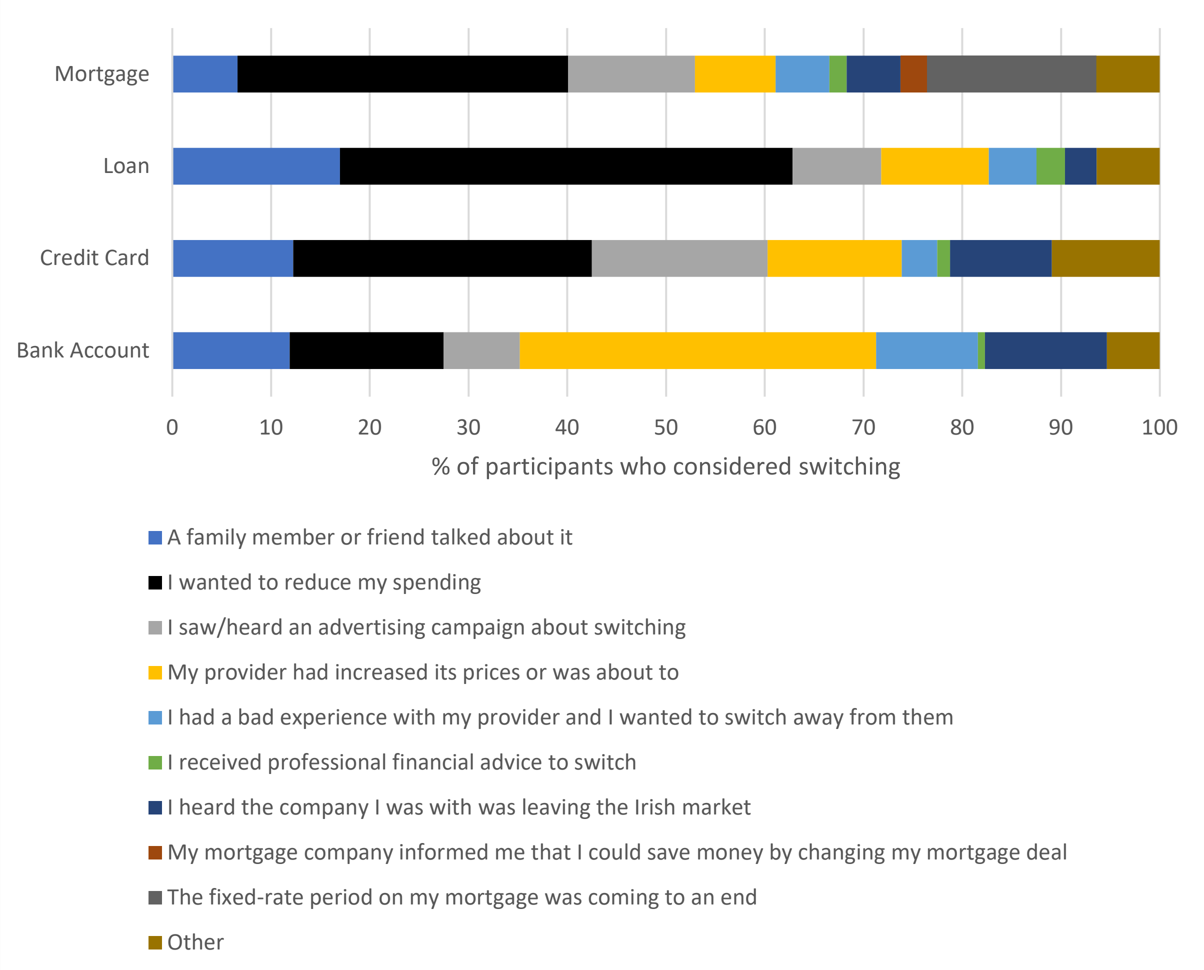
Moreover, 42% of mortgage holders report using a mortgage broker or professional advisor to help them choose their mortgage. There were no significant differences in broker usage between switchers and non-switchers (Appendix G).

3.4 PROMPTS AND MOTIVATIONS FOR SWITCHING

The initial prompt that led people to consider switching differed across products (see Figure 3.7). The sample for this question includes everyone who had at least considered switching in the last five years (i.e., those who switched, those who started the process, those who looked into it and those who thought about it). Whereas for bank accounts, the primary prompt was an increase in the current product's price (i.e., increased fees; 36%); for the other three products wanting to reduce one's spending was most cited as the prompt that made people consider switching, with 33% of mortgage holders, 46% of loan holders and 30% of credit card owners choosing this option. Seeing/hearing an advertising campaign and becoming aware of it through friends and family were also prompts reported frequently. Switchers were far more likely to report that their prompt to look into switching their bank account or credit card was that their provider was leaving the

Irish market (28% vs. 5%; $Z = 13.02$, $p < .001$ and 21% vs. 5%; $Z = 6.11$, $p < .001$, respectively), whereas non-switchers were more likely to report that they looked into switching their bank account or credit card because of an ad or a campaign (10% vs. 3%; $Z = 4.33$, $p < .001$ and 20% vs. 13%; $Z = 2.13$, $p = .017$, respectively) or because they wanted to reduce their spending (17% vs. 13%; $Z = 1.94$, $p = .026$ and 34% vs. 22%; $Z = 3.22$, $p < .001$, respectively). Men were also more likely to report that the initial reason or prompt to look into switching their mortgage was that they wanted to reduce their spending compared to women (39% vs. 26%; $Z = 2.96$, $p = .003$), as did high-income households compared to low-income households for their bank account (18% vs. 13%; $Z = 1.93$, $p = .027$) and mortgage (26% vs. 21%; $Z = 2.00$, $p = .023$).

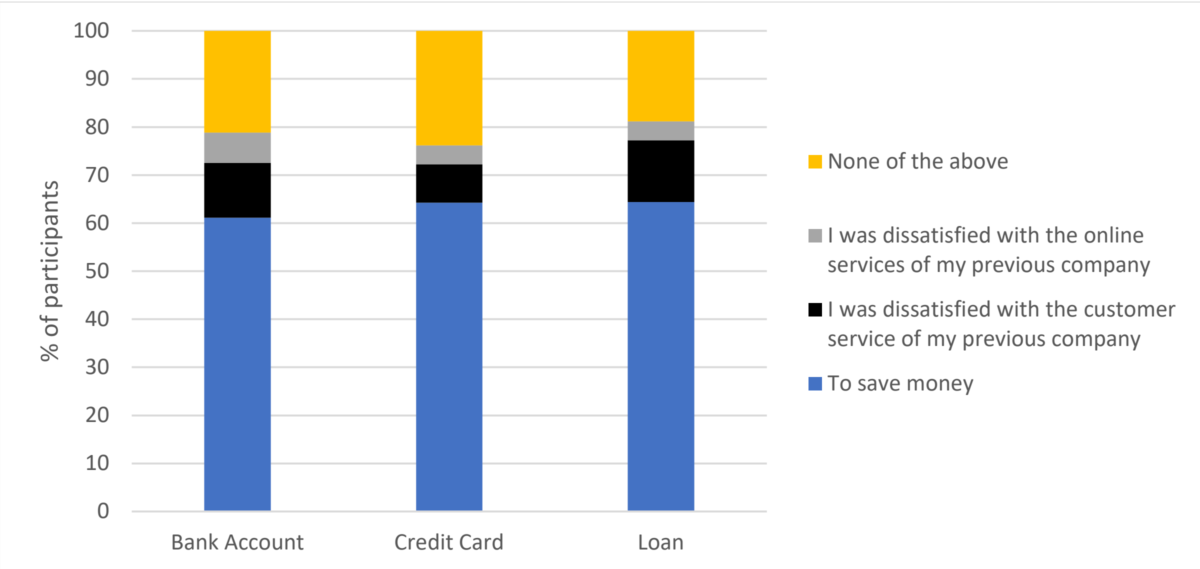
FIGURE 3.7 PROMPTS THAT LED PARTICIPANTS TO LOOK INTO SWITCHING



Source: Authors' analysis.

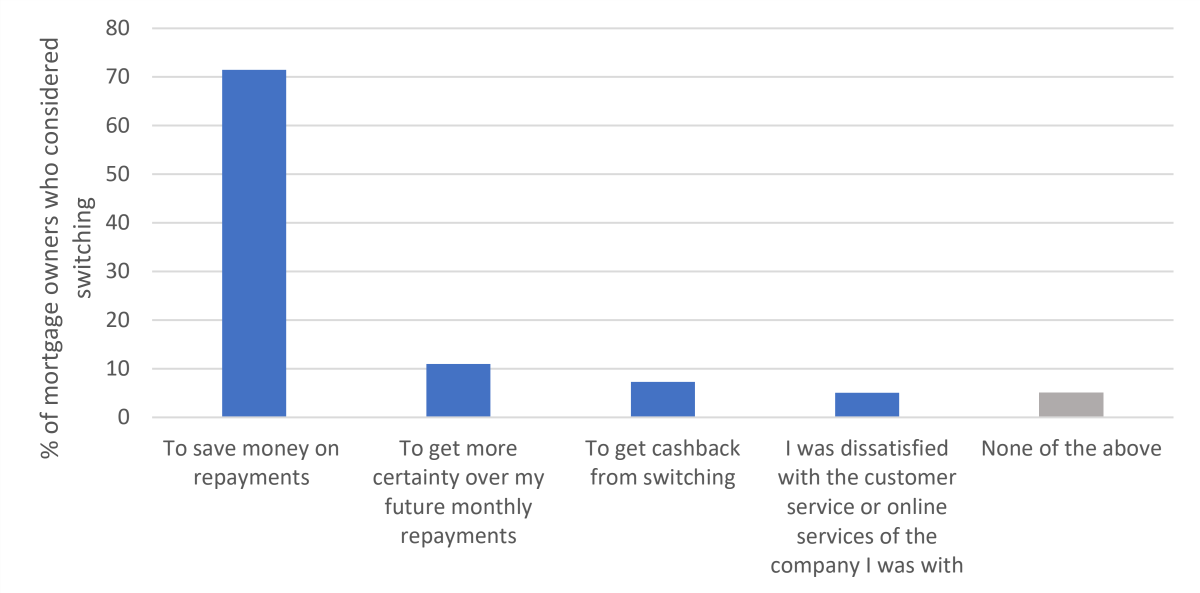
Regarding the general motivation to switch/consider switching for those whose motive remained unclear from the previous question (e.g. they considered switching because of an advertising campaign or because they heard someone talk about it), saving money was the participant's main driver across products (61–71%, depending on the product), followed distantly by being dissatisfied with the company's customer service in the case of bank accounts, credit cards and loans (8–13%; see Figure 3.8 for more detail), and wanting more certainty over future monthly repayments in the case of mortgages (11%; see Figure 3.9). Switchers were more likely to report cashback as a motivator for switching their mortgage compared to those who at least considered switching but did not (18% vs. 6%; Z = 3.32, p = .001). Having a higher household income was also a significant predictor of looking into switching mortgages to save money, with 78% of high-income households having looked into switching their mortgage to save money compared to 64% of lower income households (Z = 2.55, p = .005).

FIGURE 3.8 MAIN MOTIVATIONS FOR SWITCHING/CONSIDERING SWITCHING FOR BANK ACCOUNTS, CREDIT CARDS AND LOANS



Source: Authors' analysis.

FIGURE 3.9 MOTIVATIONS FOR SWITCHING/CONSIDERING SWITCHING FOR MORTGAGES



Source: Authors' analysis.

3.4.1 Pull Factors

Participants who had either switched or started the process of switching but didn't complete it ranked the features that attracted them to the product they switched to (or tried to switch to) in terms of importance to their decision (Table 3.5). The statistics reported here are based on the number of times each feature was ranked in the top three in terms of their importance. This was done instead of reporting average ranks, which tended to be closely clustered around the midpoint. For bank accounts, lower account maintenance and usage fees (71%) was the reason most frequently placed in the top three reasons in the rankings that participants created, followed by better online services (43%) and closer proximity to the branch (39%). For credit cards, the most attractive features were the 0% interest period on balance transfer (60%), lower interest rate fees (58%) and better online and mobile banking to track payments (33%). Mortgage holders ranked lower interest rates/fees (82%), cashback (42%) and more flexibility (e.g., to make extra repayments; 38%) most frequently in their top three features that attracted them to the alternative provider. Those with a loan placed more importance on a lower interest rate (75%), more flexibility (e.g., to make extra repayments; 52%) and more certainty about future repayments (40%). Participants over 60 were more likely to report being attracted to an alternative bank account by closer proximity of the branch for their bank account compared to those aged 18–39 (45% vs. 32%) as did those educated below degree level compared to those educated to degree level or above (46% vs. 30%; Appendix H).

TABLE 3.5 PERCENTAGE OF THOSE WHO AT LEAST CONSIDERED SWITCHING REPORTING THAT THEY WERE ATTRACTED TO ALTERNATIVE PRODUCTS BY EACH FEATURE

	Bank account	Credit card	Loan	Mortgage
More reputable	25.4	16.0	18.6	17.9
Lower interest rate/Fees	70.5	58.3	75.5	81.7
Cashback				42.2
Certainty for repayments			40.2	33.6
Better online services	42.8	32.7	33.3	14.9
More flexible	15.4		52.0	37.4
0% interest period		59.6		
Branch proximity	38.6	16.9	13.7	11.0
Better customer service	36.6	22.3	21.6	22.0
Deals for other products	14.0			
Refund on interest		13.9		
Rewards		25.3		
Introductory offers	19.5			

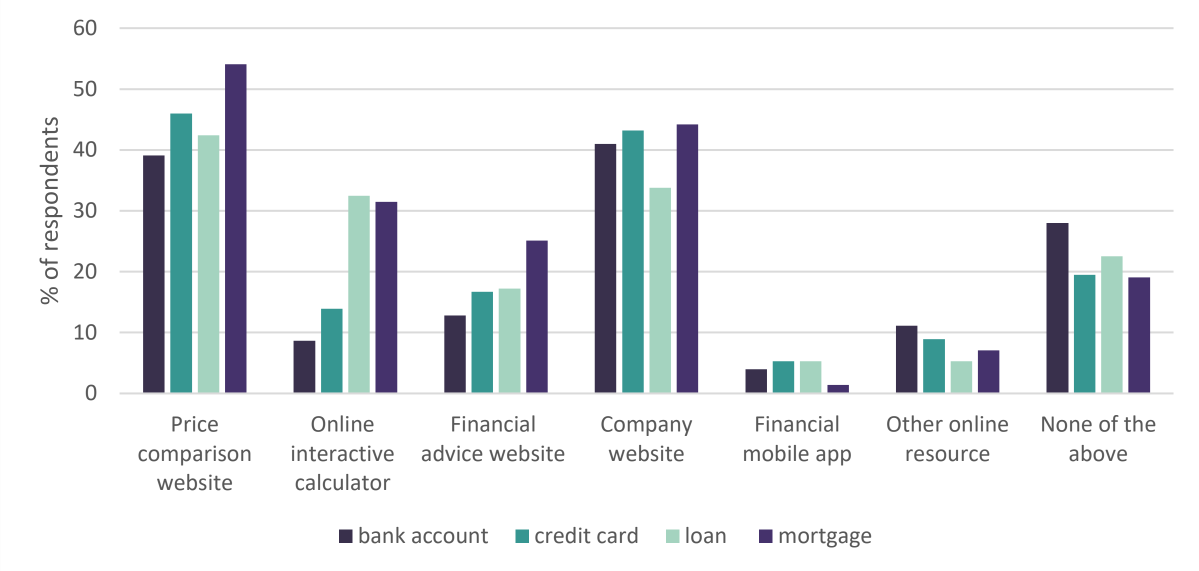
Source: Authors' analysis.

3.5 HOW DO CONSUMERS ENGAGE WITH THE SWITCHING MARKET?

3.5.1 Use of Online Tools for Switching

When looking into switching, 72–81% of participants, depending on the product, used at least one kind of online tool, with comparison websites and the company website being used most frequently across products (see Figure 3.10). Logistic regression models (see Table 3.6) indicate that women were less likely to use online tools to inform their decision when comparing offers compared to men when looking into switching their bank account (33% vs. 23%). Similarly, consumers aged over 60 were more likely to report that they had not used any online tool compared to those in the 18–39-year-old category when looking into switching their bank accounts (42% vs. 23%), mortgages (38% vs. 11%) and credit cards (34% vs. 10%). For bank accounts and mortgages, both those in the 40–59-year-old and those in the over 60 categories were significantly less likely to report using any tool compared to 18–39-year-olds.

FIGURE 3.10 USE OF PRICE COMPARISON WEBSITES, FINTECH AND OTHER ONLINE RESOURCES FOR SWITCHING



Source: Authors' analysis.

TABLE 3.6 LOGISTIC REGRESSION MODELS PREDICTING NOT HAVING USED ANY ONLINE TOOLS WHEN COMPARING OFFERS FOR SWITCHING

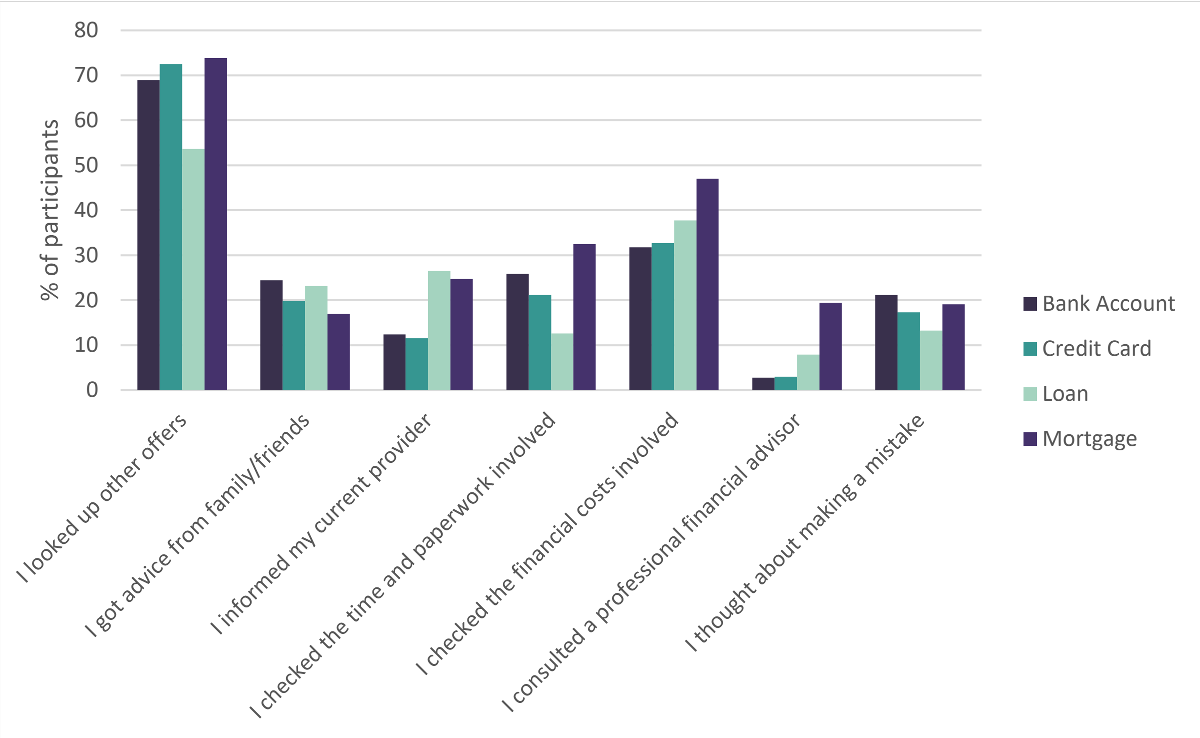
	(1) Bank account	(2) Mortgage	(3) Loan	(4) Credit card
Switcher (Ref: Non-switcher)	1.06 (0.17)	1.68 (0.61)	1.02 (0.42)	1.48 (0.43)
Age category (Ref: 18–39 years)				
40–59 years	1.27 (0.23)	2.62** (1.05)	0.74 (0.38)	1.81 (0.74)
60+ years	2.54*** (0.56)	5.04*** (2.82)	1.84 (0.95)	4.96*** (2.02)
Income (Ref: Lower)				
Middle	0.86 (0.17)	0.97 (0.44)	1.18 (0.63)	0.51* (0.18)
Higher	1.07 (0.23)	0.41* (0.20)	1.26 (0.74)	0.81 (0.30)
Prefer not to say	1.51 (0.48)	1.54 (1.17)	1.93 (1.53)	0.67 (0.37)
Degree (Ref: Below degree)	0.71** (0.12)	0.93 (0.32)	0.73 (0.33)	0.75 (0.22)
Female (Ref: Male)	1.65*** (0.28)	1.20 (0.41)	1.56 (0.68)	1.47 (0.42)
N	834	282	150	358

Source: Authors' analysis.
Note: Odds ratios with standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
Lower income (<39,000€ yearly gross household income), Middle income (40,000–70,000€ yearly gross household income), Higher (>70,000€ yearly gross household income)

3.5.2 Steps Taken

As for the steps that people report to have taken when switching or looking into the switching process, more than half of those who switched or at least looked into it, reported looking up offers of other companies to check the saving they could make (54%–74%, depending on the product), followed by checking the financial costs involved in switching (32%–47%) and checking the time and paperwork involved in switching (13–33%; Figure 3.11). Thinking about the risk of making a mistake, such as switching to a company that was more expensive or had worse customer service, was reported by 13–21%. A logistic regression analysis demonstrates that for all products, this worry was significantly higher for those who either looked into switching or those who started but did not complete the process compared to those who ultimately switched. There was very little variation based on socio-demographic characteristics (Table 3.7). Non-switchers were also more likely to check the time and paperwork involved in switching their bank accounts and loans compared to switchers (28% vs. 24%; $Z = 1.45$, $p = .074$ and 19% vs. 8%; $Z = 1.96$, $p = .025$). Moreover, consumers were significantly less likely to look up offers[11] or check the time and paperwork involved[12] when looking into switching loans compared to other products.

FIGURE 3.11 STEPS TAKEN WHEN CONSIDERING SWITCHING



Source: Authors' analysis.

[11] bank accounts vs. loan: $Z = 3.67$, $p < .001$; mortgage vs. loans: $Z = 4.26$, $p < .001$; credit card vs. loan: $Z = 4.15$, $p < .001$.

[12] bank accounts vs. loan: $Z = 3.53$, $p < .001$; mortgage vs. loans: $Z = 4.53$, $p < .001$; credit card vs. loan: $Z = 2.27$, $p = .023$.

TABLE 3.7 LOGISTIC REGRESSION MODELS PREDICTING THINKING ABOUT THE RISK OF MAKING A MISTAKE WHEN LOOKING INTO SWITCHING

	(1) Bank account	(2) Mortgage	(3) Loan	(4) Credit card
Switcher (Ref: Non-switcher)	0.51*** (0.09)	0.35** (0.15)	0.33** (0.18)	0.52** (0.15)
Age category (Ref: 18–39 years)				
40–59 years	0.98 (0.19)	1.04 (0.36)	1.13 (0.68)	1.61 (0.63)
60+ years	1.39 (0.34)	1.69 (0.91)	0.35 (0.30)	2.46** (0.99)
Income (Ref: Lower)				
Middle	0.67* (0.15)	1.60 (0.77)	0.80 (0.51)	0.85 (0.30)
Higher	0.76 (0.18)	1.45 (0.71)	0.42 (0.34)	0.58 (0.23)
Prefer not to say	1.37 (0.46)	0.68 (0.78)	2.59 (2.22)	0.49 (0.33)
Degree (Ref: Below degree)	0.86 (0.16)	0.95 (0.32)	0.65 (0.38)	1.26 (0.38)
Female (Ref: Male)	0.98 (0.18)	1.30 (0.43)	0.73 (0.40)	1.68* (0.49)
N	828	282	150	363

Source: Authors' analysis.
Note: Odds ratios with standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
Lower income (<39,000€ yearly gross household income), Middle income (40,000–70,000€ yearly gross household income), Higher (>70,000€ yearly gross household income)

3.6 BARRIERS IN THE SWITCHING PROCESS

The difficulties faced by those who at least looked into switching (regardless of whether they ended up starting/completing the process) varied across products (Table 3.8). For bank accounts (28%) and credit cards (29%), the most common difficulty faced was not being able to find better value alternatives. For mortgages, the amount of paperwork involved in the process was most frequently chosen as a difficulty (36%), closely followed by high costs that came up, such as solicitor fees (34%). Switching a mortgage was generally viewed as more difficult. A significantly higher proportion of those who switched or started the process of switching their mortgage faced at least one difficulty (84%), higher than the equivalent for bank accounts (62%; $Z = 6.78$, $p < .001$), credit cards (60%; $Z = 6.55$, $p < .001$) or loans (65%; $Z = 4.72$, $p < .001$). Overall, those who ultimately switched were more likely to report not facing any difficulties in the process compared to those who tried to switch but did not complete the process for each product, controlling for socio-demographic factors (Table 3.9).

TABLE 3.8 PERCENTAGE OF THOSE WHO AT LEAST LOOKED INTO SWITCHING REPORTING HAVING FACED EACH DIFFICULTY WHEN SWITCHING/LOOKING INTO SWITCHING

	Bank account	Credit card	Loan	Mortgage
High costs came up	4.0	4.7	8.7	33.8
Difficulty figuring out the price and/or comparing them	16.1	22.2	17.3	26.8
Uncertainty about how long it would take to switch	22.6	19.9	20.0	31.0
There weren't many alternative offers that were better value	28.2	28.8	23.3	26.4
The amount of paperwork required	19.3	17.5	23.3	35.9
Eligibility concerns	10.2	15.5	14.7	19.0
Other	7.6	4.7	2.7	8.8
None of the above	38.0	39.9	35.3	16.2

Source: Authors' analysis.

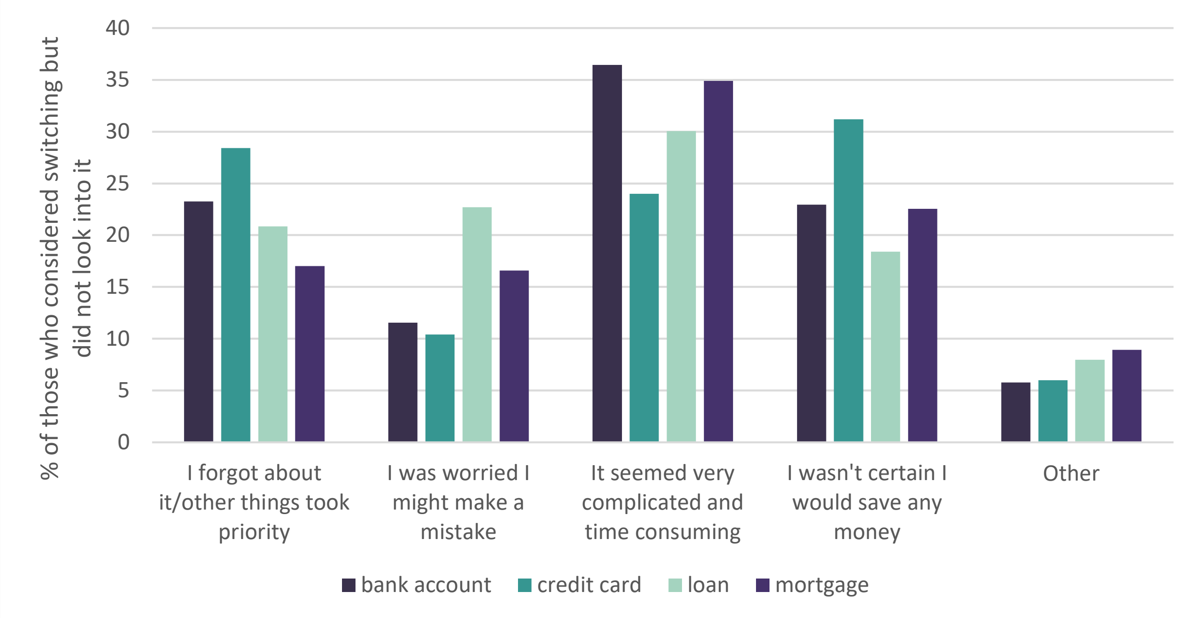
TABLE 3.9 LOGISTIC REGRESSION MODELS PREDICTING WHETHER PARTICIPANTS REPORTED NOT FACING ANY DIFFICULTY

	(1) Bank account	(2) Mortgage	(3) Loan	(4) Credit card
Switcher (Ref: Non-switcher)	4.10^{***} (0.67)	3.70^{***} (1.31)	2.04^{*} (0.76)	3.79^{***} (0.92)
Age category (Ref: 18–39 years)				
40–59 years	1.40^{**} (0.24)	1.83 (0.71)	1.26 (0.54)	0.94 (0.27)
60+ years	1.26 (0.27)	1.71 (1.13)	0.98 (0.49)	1.53 (0.48)
Income (Ref: Lower)				
Middle	0.89 (0.17)	1.30 (0.68)	0.64 (0.31)	1.51 (0.47)
Higher	0.97 (0.20)	0.67 (0.36)	1.44 (0.72)	1.54 (0.50)
Prefer not to say	1.10 (0.36)	0.74 (0.69)	1.00 (0.79)	4.78^{***} (2.50)
Degree (Ref: Below degree)	0.72^{**} (0.11)	1.07 (0.40)	0.72 (0.29)	0.87 (0.21)
Female (Ref: Male)	0.95 (0.15)	1.02 (0.37)	1.11 (0.44)	1.15 (0.28)
N	840	283	149	360

Source: Authors' analysis.
Note: Odds ratios with standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
Lower income (<39,000€ yearly gross household income), Middle income (40,000–70,000€ yearly gross household income), Higher (>70,000€ yearly gross household income)

Those who considered switching but did not look into it further or take any action reported that the main reason for not taking any action was that the process seemed very complicated and time consuming for bank accounts (36%), loans (30%) and mortgages (35%; see Figure 3.12). For credit cards, uncertainty about whether they would save any money was most frequently reported as the main reason (31%). Those with a higher household income were less likely to report fear of making a mistake as the main reason for not taking any action compared to lower income households for bank accounts (7% vs. 15%) and mortgages (7% vs. 21%), whereas those aged 18–39 were more likely to report it as their main reason for not taking any action in regards to switching their credit card (23%) compared to 40–59-years-olds (9%) and those aged over 60 (4%) (Table 3.10).

FIGURE 3.12 MAIN REASON FOR NOT TAKING ANY ACTION AFTER CONSIDERING SWITCHING



Source: Authors' analysis.

TABLE 3.10 LOGISTIC REGRESSION MODELS PREDICTING WHETHER FEAR OF MAKING A MISTAKE WAS THE MAIN REASON FOR NOT TAKING ANY ACTION AFTER CONSIDERING SWITCHING

	(1) Bank account	(2) Mortgage	(3) Loan	(4) Credit card
Age category (Ref: 18–39 years)				
40–59 years	0.80 (0.22)	0.59 (0.25)	0.55 (0.24)	0.23*** (0.12)
60+ years	0.93 (0.32)	0.31* (0.20)	0.45 (0.26)	0.11*** (0.07)
Income (Ref: Lower)				
Middle	0.63 (0.18)	0.92 (0.39)	1.28 (0.61)	1.10 (0.56)
Higher	0.44** (0.16)	0.27** (0.16)	1.21 (0.63)	0.43 (0.31)
Prefer not to say	0.86 (0.35)	0.55 (0.40)	1.71 (1.57)	1.57 (1.18)
Degree (Ref: Below degree)	1.16 (0.30)	0.76 (0.32)	1.19 (0.49)	0.34** (0.17)
Female (Ref: Male)	0.87 (0.22)	0.81 (0.31)	1.60 (0.64)	1.93 (0.89)
N	673	234	163	250

Source: Authors' analysis.
Note: Odds ratios with standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
Lower income (<39,000€ yearly gross household income), Middle income (40,000–70,000€ yearly gross household income), Higher (>70,000€ yearly gross household income)

Participants who looked into switching ranked the reasons for not starting the process, for example by contacting an alternative financial institution, differently for each product (Table 3.11). As in the previous ranking task, the statistics reported here are based on the number of times each reason was ranked in the top three reasons for not completing the process. The perceived time that would be needed to switch was the most frequently ranked reason for bank accounts (53%), followed closely by uncertainty about the cost (52%), which in turn was the most frequently high-ranked reason for mortgages (70%), credit cards (62%) and loans (56%). For loans, the fear of making a mistake was the second reason most often ranked in the top three reasons (48%). For mortgages, high costs that come up were also frequently mentioned as a reason for not starting the process (45%).

TABLE 3.11 PERCENTAGE OF THOSE WHO LOOKED INTO SWITCHING REPORTING EACH REASON FOR NOT STARTING THE SWITCHING PROCESS

	Bank account	Credit card	Loan	Mortgage
High costs that came up	10.6	8.0	24.0	45.2
Difficulty comparing the price of offers	32.9	37.2	20.0	23.8
Uncertainty about the cost	51.6	61.8	55.9	69.7
The process seemed very time consuming	52.8	29.9	42.0	31.6
Difficulty finding better value offers	48.8	56.2	46.0	35.7
Eligibility concerns	24.9	36.5	32.0	26.2
Fear of making a mistake	43.5	37.2	48.0	33.9

Source: Authors' analysis.

Similarly, those who started the process but did not ultimately switch ranked the reasons for not completing the process (Table 3.12). Uncertainty about the cost was ranked most frequently in the top three for bank accounts (69%), loans (70%) and mortgages (81%). The time needed to complete the process was most frequently ranked amongst the three top reasons not to complete the switching process after starting it for credit cards (63%).

TABLE 3.12 PERCENTAGE OF THOSE WHO STARTED THE SWITCHING PROCESS REPORTING EACH REASON FOR NOT COMPLETING THE PROCESS

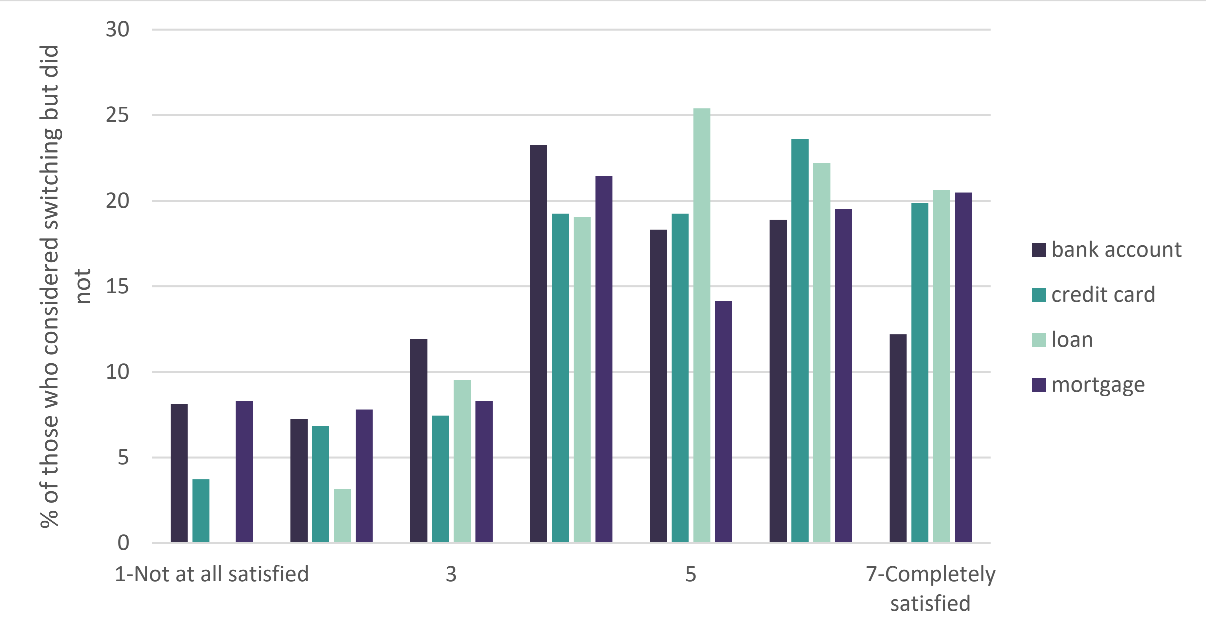
	Bank account	Credit card	Loan	Mortgage
High costs that came up	15.0	12.5	28.6	47.5
Difficulty comparing the price of offers	22.5	41.7	28.6	25.0
Uncertainty about the cost	68.8	30.0	70.0	81.3
The process seemed very time consuming	52.5	62.5	28.6	32.5
Difficulty finding better value offers	40.0	41.7	35.7	20.0
Eligibility concerns	12.5	33.3	21.4	22.5
Fear of making a mistake	35.0	16.7	42.9	30.0

Source: Authors' analysis.

3.7 SATISFACTION WITH DECISION TO SWITCH/NOT SWITCH

Consumers who switched reported being significantly more satisfied with their decision, compared to the satisfaction reported by those who decided not to for each of the four products[13] (see Figures 3.13 and 3.14). Satisfaction with switching did not vary significantly across loans (m = 6.15, SD = 1.13), bank accounts (m = 5.90, SD = 1.36), credit cards (m = 5.79, SD = 1.52) and mortgages (m = 5.76, SD = 1.52). Overall, 87% of switchers' answers lie above the midpoint in the response scale, compared to 55% of responses for those who did not switch. This difference is significant (Z = 14.26, p <.001).

FIGURE 3.13 SATISFACTION WITH DECISION TO NOT SWITCH



Source: Authors' analysis.

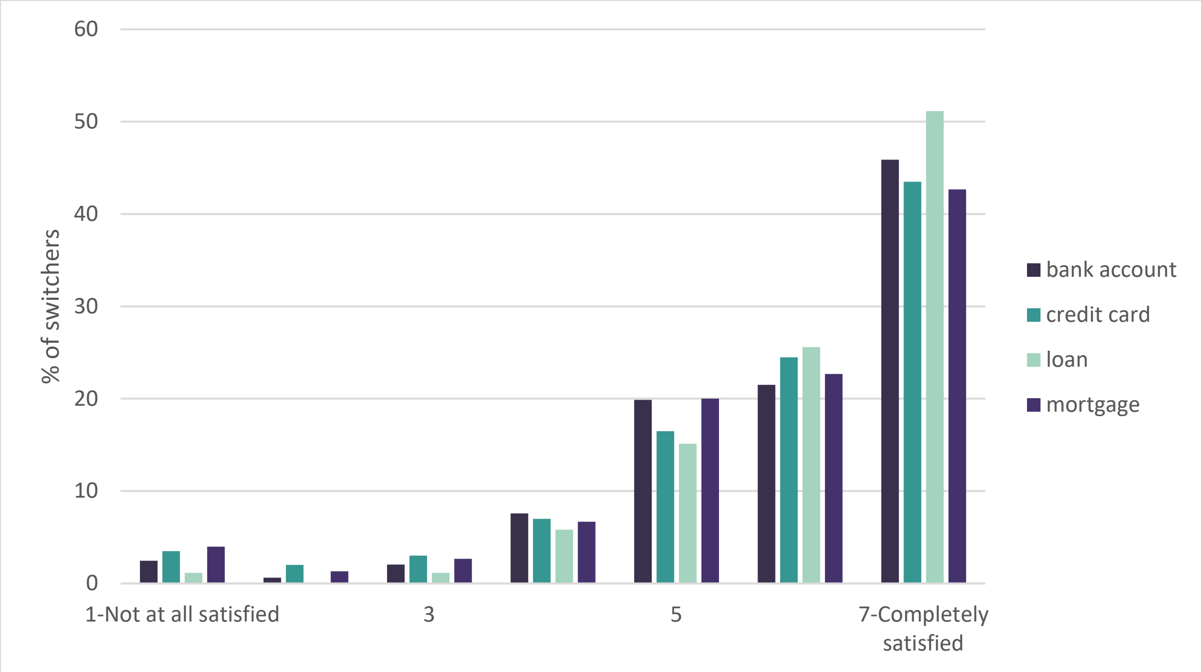
[13] Bank accounts: Switchers (m = 5.90, SD =1.36) vs. Non-Switchers (m = 4.42, SD =1.74); t(830) = 13.77, p < .001

Mortgages: Switchers (m = 5.76, SD =1.52) vs. Non-Switchers (m = 4.66, SD =1.87); t(278) = 4.58, p < .001

Loans: Switchers (m = 6.15, SD = 1.13) vs. Non-Switchers (m = 5.15, SD =1.38); t(147) = 4.81, p < .001

Credit cards: Switchers (m = 5.79, SD =1.52) vs. Non-Switchers (m = 4.94, SD =1.66); t(359) = 5.06, p < .001

FIGURE 3.14 SATISFACTION WITH DECISION TO SWITCH



Source: Authors' analysis.

CHAPTER 4

Discussion

This report provides a descriptive overview of consumers' journey through the Irish financial retail market, focusing on behaviours related to choosing and switching financial products among a representative sample of financial decision-makers. In this section, we discuss the implications of the results for our research questions across the whole sample (subsections 4.1–4.6), before looking at differences (or lack thereof) between different socio-demographic groups (subsection 4.8). Although product-specific differences were not the focus of the outlined research questions, some differences that became apparent during exploratory analyses are discussed in subsection 4.7. Implications for policy are discussed where appropriate.

4.1 PRODUCT OWNERSHIP AND SWITCHING RATES FOR KEY FINANCIAL PRODUCTS IN THE IRISH FINANCIAL RETAIL MARKET

In general, switching rates are low, although slightly higher compared to previous evidence (e.g., Department of Finance, 2022; Byrne et al., 2020a). It should be noted that even these low numbers are inflated, especially for bank accounts, which had the highest switching rate at about 17%, due to the exit of Ulster Bank and KBC from the Irish market. The finding confirms that switching is rare in the current Irish financial retail market, yet provides suggestive evidence for a possible 'spill-over effect' from Ulster and KBC leaving the market. Consumers holding products with other banks may have become more aware of the opportunity to switch following the public attention on switching that has accompanied these two banks leaving the market. Nevertheless, we cannot rule out the possibility that the slightly larger switching rates recorded in the present study, which were mainly limited to bank accounts, reflect the outcomes of public policy focusing on switching bank accounts (e.g., the Central Bank's Switching Code for bank accounts). However, given the methodological differences in the measurement of switching rates between studies, the present results cannot be used as conclusive evidence of a significant increase in switching rates in Ireland.

4.2 DISTRIBUTION OF CONSUMERS ACROSS THE SIX LEVELS OF SWITCHING ACTIVITY DEFINED IN THE CONTEXT OF THE PRESENT RESEARCH

A closer look at the distribution of consumers falling into each of the six switching activity levels defined in this report suggests that awareness of switching is very high, with the exception of loans. Thus, potential informational campaigns about the possibility of switching should only focus on informing consumers that they are able to switch their loans. Furthermore, the majority of non-switchers did not consider switching in the past five years across the four financial products examined in the present research. While a significant minority considered switching without engaging further in the process or merely looked into it without starting the process, fewer started the process without finishing it. This is potentially a useful insight from a policy perspective. If an intervention aims to target a specific group of people falling into one of these categories, the group who never considered switching would be the widest target. Nevertheless, targeting the group that at least looked into switching but did not finish might also be a worthwhile venture, since the results show that consumers are less likely to drop out of the switching process the further they progress into it. Thereby, individuals who are closer to completing the process might need less support to finish it compared to those who never even considered switching.

4.3 CONSUMERS' ENGAGEMENT WITH THE MARKET WHEN FIRST CHOOSING THEIR FINANCIAL PRODUCTS

The majority of respondents did not compare offers when purchasing their original product. Instead, most report simply getting a loan, credit card or mortgage from the provider that they have a bank account with. In turn, for bank accounts, consumers most commonly reported choosing a company that was recommended by friends/family or that they went with the first that seemed reliable and of decent value. Moreover, online tools, which arguably provide the easiest way of comparing across providers, were not used by a significant minority even when comparing offers for their original product. The findings also show a monotonic relationship between having compared offers for the initial choice and how far people got into the switching process. Those who had compared offers and used online tools when choosing their original product were more likely to end up switching. This suggests that consumers who were initially more active in their choices and had a different experience interacting with the market were more likely to continue being active in the market later on. Thus, one possibility is that promoting general searching behaviours for financial products might ultimately have a more beneficial overall effect on their market activity than focusing exclusively on getting individuals to switch, without targeting these behaviours underlying informed decision-making.

4.4 MOTIVATIONS FOR SWITCHING

Monetary motivations for switching were the most prevalent across products. Consumers were prompted to look into switching both actively by wanting to reduce spending or reactively due to an increase in price/fees by their provider. For bank accounts, a possible 'bill shock effect' was apparent, as more participants reported looking into switching due to an increase in prices compared to other products. For the other products, there was a general focus on limiting expenses, possibly due to a change in the person's financial circumstances. An immediate monetary reward in the form of cashback was also a strong motivator for switching mortgages, although the literature suggests that placing too much importance on cashback may lead to suboptimal decisions (King and Singh, 2018; Timmons et al., 2019). A better price on an alternative was the highest ranked pull factor when considering offers. Thus, while consumers also reported other prompts, motivations and pull factors, such as being dissatisfied by their provider's customer service or wanting better online banking services, monetary motivations were the strongest motivators for consumer activity in the Irish financial retail market. Given this, a relevant question for campaigns seeking to promote shopping around is, what framing of financial benefits is most effective in attracting consumer interest? Benefits can be framed as gains, including as savings, but also as losses or missed opportunities for those missing out on better deals. Moreover, recent research in the Irish mortgage market suggests that personalising savings to the individual consumer can increase the probability of switching (Byrne, Devine and McCarthy, 2023).

4.5 CONSUMERS' ENGAGEMENT WITH THE MARKET WHEN SWITCHING FINANCIAL PRODUCTS

When looking into switching, regardless of whether consumers ended up switching, a significant minority (between 26% and 46%, depending on the product) did not compare offers. Moreover, a significant minority of 19–28% of consumers did not use online tools, such as price comparison sites, when looking into switching. Most consumers did not look up the financial cost or paperwork needed to switch when considering switching, which also indicates that they remain unaware of the specifics of the process. This further suggests that while consumers demonstrate more search behaviours in the market when looking into switching compared to choosing their original product, there remains room for improvement. Having a better understanding of the market, comparing offers and researching the steps and costs required to switch would enable consumers to make more informed choices about their financial products. Moreover, since the majority of respondents did use online tools, at least when looking into switching, these might be useful mediums for policy interventions to boost these search behaviours further and encourage switching to better value products.

4.6 BARRIERS TO ENGAGEMENT WITH THE MARKET WHEN SWITCHING THEIR FINANCIAL PRODUCTS

Uncertainty related factors, such as being unsure about the financial cost of switching, struggling to compare the price of offers and being afraid of making a mistake by switching to a worse provider, emerged as significant barriers and reasons for either not starting or finishing the process. Furthermore, the general complexity of the process along with the time-investment needed to switch are commonly reported as reasons for not switching. The amount of paperwork is also a significant barrier across products for those who look into switching, but also a common reason for not engaging in any action after considering switching. Those who ended up switching were more likely to report not facing any difficulties when switching. Thus, the results suggest that consumers feel intimidated by the complexity of the financial retail market and may lack the skills to effectively navigate the market, which prevents them from engaging in the switching process. More transparency from providers about the financial cost would ease consumers' experience in navigating the market and might get more people to switch or at least look into switching, since this is the most common reason for not starting or finishing the switching process for several products. Theoretical work on mortgages suggests that removing all frictions that impede switching could counterintuitively reduce consumer welfare by increasing equilibrium credit costs (see Berger et al., 2023). Nonetheless, while such undesirable welfare outcomes should be kept in mind when implementing and evaluating policies, the results from this and other research demonstrate multiple reasons for low switching and engagement with the market that imply a significant margin before that point is reached. Taken together, the results suggest that recent policies that aim to simplify the process for consumers are likely to assist consumers and might be worth extending in the future. These include the Central Bank's Switching Code for bank accounts and the measures introduced in January 2019 requiring banks to inform consumers of cheaper mortgage options 60 days before the end of their fixed interest rate. Nevertheless, this is only one side of the equation. Targeting consumer competence and confidence to engage in the market is also crucial to allow consumers to make informed decisions, since their interests do not always align with the interests of financial product providers and consumers will not be able to rely on regulatory policy for every aspect of the market. While correlational, the higher satisfaction consumers report with their decision to switch (compared to those who decided not to switch) suggests that improving engagement with the switching market might result in a subjective welfare increase for consumers.

4.7 PRODUCT-SPECIFIC DIFFERENCES

While looking at differences in behavioural patterns between products was not one of the primary research questions, exploratory analyses revealed that loans and mortgages stood out. Loans had the lowest switching rate, with almost 80% of borrowers never having considered switching or not knowing that they could. For those who did considering switching, fear of making a mistake was the top ranked reason for not completing the process, after uncertainty about the cost. Almost half who considered switching their loan did not look up alternative offers. This pattern occurred despite relatively wide price dispersion in the Irish loan market. This suggests a lack of knowledge and confidence when choosing personal loans. Borrowers who did switch reported a high level of satisfaction with their decision to do so, suggesting that they had managed to locate a better offer. For mortgages, while the switching rate was again low, people were most likely to report at least having considered switching compared to all other products. Compared to the other financial products, the high proportion who started the process and the more frequent reports of encountering monetary and procedural costs when trying to switch mortgage underline the additional complexity and expense of switching this product. Many who considered switching reported that they struggled to find better offers. Given these findings and the scale of potential savings available in both the mortgage and loan markets, these products might be considered priorities for campaigns promoting greater consumer activity. Nevertheless, a different approach might be required for these two products, as for mortgages there is a need to assist people with starting and completing the process, whereas for loans the first challenge would be to get people to consider switching and engage in the process.

4.8 SOCIO-DEMOGRAPHIC DIFFERENCES

Differences were observed between specific socio-demographic groups. In terms of gender differences, the results indicate that women were less likely to own all main financial retail products, except for bank accounts. Moreover, women were less likely to have considered switching in the past five years for most of the products. Women were also less likely to report engaging in some potentially beneficial financial behaviours, such as comparing offers when choosing their original products. Some gender differences were also apparent in terms of motivation and experience of the switching process, as women were less likely to be prompted to look into switching by reducing spending. These behavioural and patterns of gender differences are consistent with other literature showing that women are often less actively engaged in personal finance issues (Förster, Happ and Maur, 2018). These gender-based differences are potentially important since they might contribute to disparities in long-term economic outcomes. Moreover, since men are twice as likely to hold senior policymaker positions (controlling for age, education and length of service; Russell et al., 2017), these findings may reflect more male oriented policies regulating financial markets.

Age differences were also significant. Starting with product ownership rates, younger people were less likely to have a credit card or mortgage. While older consumers were more likely to have a credit card, Central Statistics Office (CSO) data (CSO, 2018) also suggests that they are less likely to have debt on it, which could help explain the lower switching rates in this population, since the main benefit of switching credit cards would be lower interest on debt repayments. Furthermore, a more general trend emerges whereby younger participants (18–

39-year-olds) were more likely to be actively engaged with their financial decisions by looking up and comparing offers, using online tools to guide their decisions, and were also more likely to switch. For the original decision of choosing financial products, this may reflect cohort effects, for example if older people in our sample opened bank accounts and took out other financial products from local branches of banks before online comparison tools existed. To some extent, these differences might also reflect a recall effect, as older consumers who originally got a product longer ago might have a weaker recollection of the behaviours they engaged in compared to younger consumers who first got certain products more recently. These differential experiences in the market between age groups suggest that interventions may need to be tailored to specific groups, but more research is needed on this. Moreover, despite the deeper engagement younger people had with the process, they were more likely to not take any action to switch certain products after considering switching because of their fear of making a mistake. This suggests that financial competence, as indicated by financial behaviours such as comparing offers and switching, and confidence do not always align. Thus, public policy may need to address consumers' lack of financial knowledge and lack of confidence independently.

Lastly, household income was also a factor in consumers' financial behaviour. Individuals with a lower household income were less likely to switch their mortgages and loans, which would arguably offer the biggest savings, and further engage in several potentially beneficial financial behaviours, such as comparing offers. Moreover, they were less likely to be prompted to look into switching by reducing spending, but more likely to report fear of making a mistake and facing difficulties in the process. Similarly, consumers educated below degree level were less likely to switch, compare offers, use online tools and more likely to fear making a mistake and report uncertainty related reasons for not starting the process. Thus, while financial decision-makers in general would benefit from public policy targeting financial competence and confidence, those from lower income households and those educated below degree level may benefit even more, assuming that policies are implemented appropriately and have a similar reach across the social strata. Nevertheless, as the household income data was not equivalised, these results are only indicative.

CHAPTER 5

Conclusion

The present report confirms previous literature suggesting that switching rates for the main financial products in Ireland are low and most consumers do not consider switching. This is not necessarily a negative outcome, as switching is not always a goal in itself. Ideally, consumers should be engaging with the market in a meaningful manner by comparing offers both when originally choosing a product and when trying to identify better offers that it may be worthwhile switching to. However, the findings presented in this report do not match this picture. Overall, consumers tend not to 'shop around' for financial products, often struggle to compare offers and are uncertain about the process, costs and benefits of switching. Moreover, many are afraid of making a mistake. The lack of consumers' search behaviours and switching activity (or switching intention signals) may lead to undesirable welfare outcomes, whereby consumers overpay for financial products. The decrease of decision satisfaction between switchers and non-switchers might reflect potential disparities in the price that switchers and non-switchers pay. The lack of consumer activity might further disincentivise providers of financial products to offer competitive prices and quality to retain and attract customers. The present report suggests that low switching rates could be addressed by increasing consumers' knowledge/comprehension of the market, such as the switching process, benefits and costs of switching, as well as boosting their confidence to interact with the market. Moreover, online tools might be useful mediums for policy interventions due to their prevalence of use. A stronger focus on mortgages and loans might also be beneficial due to the scale of potential savings and the increased difficulties consumers face in the market for these products compared to other financial products. Lastly, extending current policies aiming to simplify the process and make it more transparent for consumers may tackle the uncertainty faced by consumers and the resulting inertia displayed.

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APPENDICES

APPENDIX A SAMPLE CHARACTERISTICS

		N	%	Population %
Gender	Men	1449	49.9	48.9
	Women	1446	49.8	51.1
	Non-Binary/Other	8	0.3	–
Age	18–39 years	983	33.9	40.4
	40–59 years	1168	40.2	35.1
	60+	752	25.9	24.5
Educational Attainment	Below Degree	1735	59.8	58.0
	Degree or Above	1168	40.2	42.0
Employment	In Labour Force	1998	68.8	65.2
	(Of which, Employed)	1911	(95.6)	(95.2)
	(Of which, Unemployed)	87	(4.4)	(4.8)
	Not in Labour Force	905	31.2	34.8
Living Area	Urban	1858	64.0	63.3
	Rural	1045	36.0	36.7

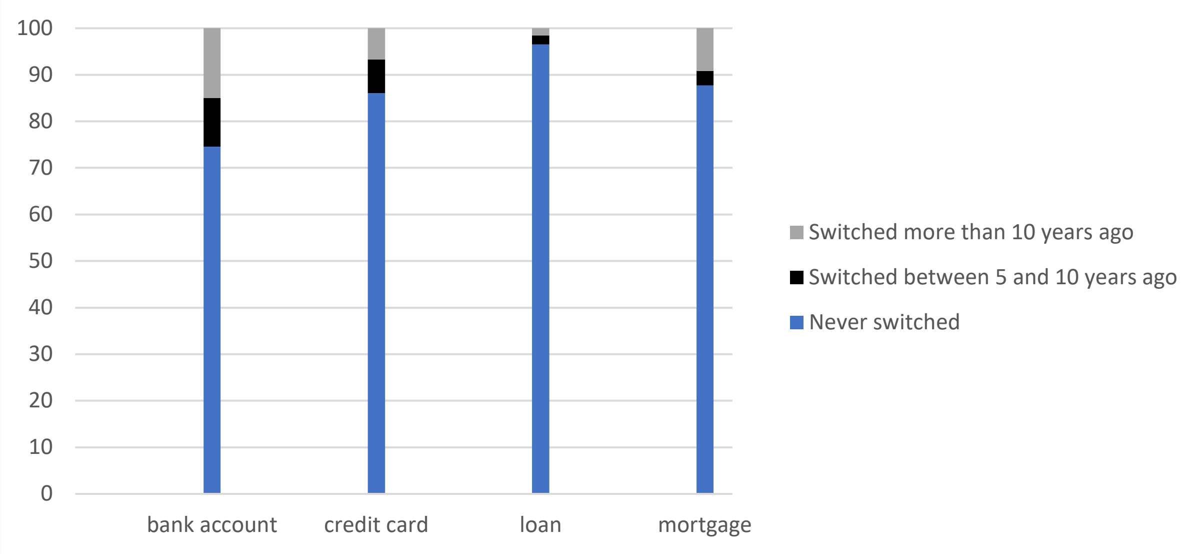
Source: Sample characteristics are fom authors' analysis. Population estimates for Gender, Age, Educational Attainment and Living Area are from Census 2016 data available at data.cso.ie. Employment estimates are from the 2022 Q1 Labour Force Survey.

APPENDIX B SATISFACTION WITH CUSTOMER SERVICE AND PRICE PER PRODUCT

	Customer Service		Price		
	M	*SD*	*M*	*SD*	*N*
Bank account	5.5	1.6	5.2	1.9	5425
Credit card	5.5	1.6	4.9	1.9	1828
Loan	5.8	1.5	5.2	1.8	1616
Mortgage	5.1	1.7	4.7	1.9	1232

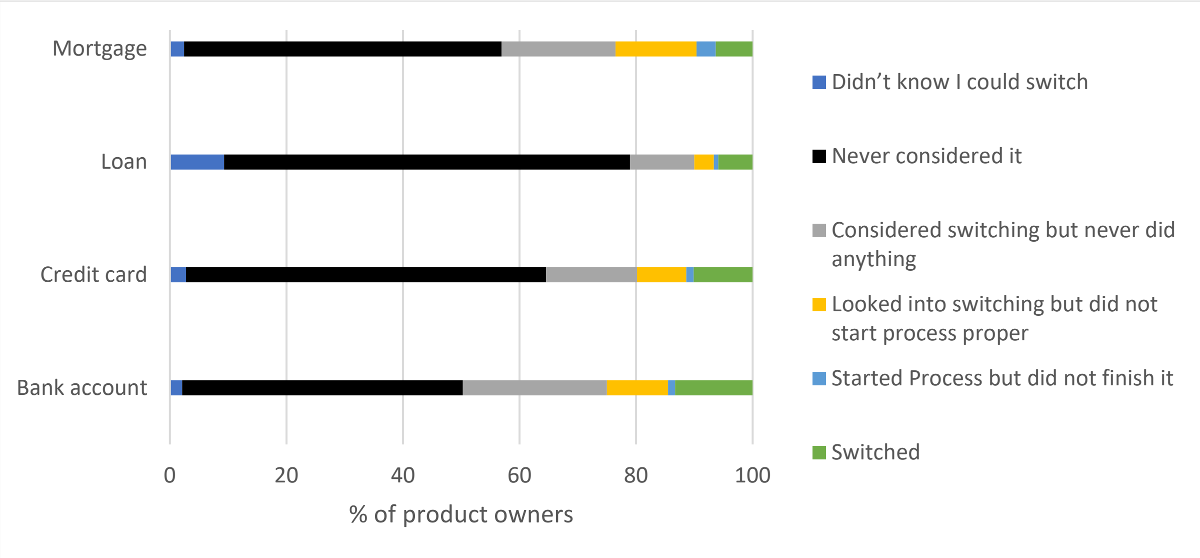
Source: Authors' analysis.
Note: Response scale from 1 (Very unsatisfied) to 7 (Very satisfied).

APPENDIX C COMPOSITION OF NON-SWITCHERS (IN THE PAST FIVE YEARS) IN TERMS OF SWITCHING HISTORY BY PRODUCT



Source: Authors' analysis.

APPENDIX D SWITCHING HISTORY FOR THE PAST FIVE YEARS EXCLUDING THOSE WHO CONSIDERED SWITCHING OR SWITCHED DUE TO THEIR BANK LEAVING THE MARKET



Source: Authors' analysis.

APPENDIX E LOGISTIC REGRESSION MODELS PREDICTING WHETHER CONSUMERS DID NOT KNOW SWITCHING WAS POSSIBLE

	(1) Bank account	(2) Mortgage	(3) Loan	(4) Credit card
Age category (Ref: 18–39 years)				
40–59 years	1.17 (0.36)	0.53 (0.22)	0.36*** (0.08)	0.72 (0.25)
60+ years	0.57 (0.23)	0.31* (0.21)	0.32*** (0.09)	0.19*** (0.09)
Income (Ref: Lower)				
Middle	0.42** (0.15)	0.76 (0.32)	0.81 (0.18)	0.89 (0.31)
Higher	0.24*** (0.12)	0.20** (0.14)	0.68 (0.18)	0.11*** (0.08)
Prefer not to say	1.07 (0.43)	0.26 (0.28)	0.95 (0.38)	1.11 (0.58)
Education (Ref below degree)	0.82 (0.24)	0.61 (0.27)	1.13 (0.22)	0.64 (0.22)
Female (Ref: Male)	0.63* (0.17)	1.43 (0.58)	0.82 (0.16)	0.58* (0.19)
N	2847	1190	1445	1597

Source: Authors' analysis.
Note: Odds ratios with standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
Lower income (<39,000€ yearly gross household income), Middle income (40,000–70,000€ yearly gross household income), Higher (>70,000€ yearly gross household income)

APPENDIX F LOGISTIC REGRESSION MODELS PREDICTING WHETHER CONSUMERS DID NOT CONSIDER SWITCHING (INCLUDING NOT KNOWING THAT ONE COULD SWITCH) IN THE PAST FIVE YEARS

	(1) Bank account	(2) Mortgage	(3) Loan	(4) Credit card
Age category (Ref: 18–39 years)				
40–59 years	0.90 (0.08)	1.24 (0.17)	1.02 (0.15)	0.81 (0.11)
60+ years	2.15*** (0.22)	2.25*** (0.43)	1.10 (0.20)	1.34** (0.19)
Income (Ref: Lower)				
Middle	0.90 (0.09)	0.92 (0.15)	1.02 (0.16)	0.81 (0.11)
Higher	0.80** (0.09)	0.83 (0.14)	0.89 (0.16)	0.79 (0.11)
Prefer not to say	1.24 (0.18)	1.35 (0.35)	1.06 (0.32)	1.07 (0.22)
Degree (Ref: Below degree)	0.73*** (0.06)	0.61*** (0.08)	0.82 (0.11)	1.01 (0.11)
Female (Ref: Male)	1.19** (0.09)	1.26* (0.16)	1.23 (0.16)	1.27** (0.14)
N	2854	1193	1445	1597

Source: Authors' analysis.
Note: Odds ratios with standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
Lower income (<39,000€ yearly gross household income), Middle income (40,000–70,000€ yearly gross household income), Higher (>70,000€ yearly gross household income)

APPENDIX G LOGISTIC REGRESSION PREDICTING WHETHER A BROKER WAS USED WHEN ORIGINALLY CHOOSING A MORTGAGE

	(1) Mortgages
Switcher (Ref: Non-switcher)	0.88 (0.22)
Age category (Ref: 18–39 years)	
40–59 years	1.23 (0.17)
60+ years	0.79 (0.15)
Income (Ref: Lower)	
Middle	0.75* (0.12)
Higher	0.75* (0.13)
Prefer not to say	0.72 (0.18)
Degree (Ref: Below degree)	0.85 (0.11)
Female (Ref: Male)	1.09 (0.13)
N	1208

Source: Authors' analysis.
Note: Odds ratios with standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
Lower income (<39,000€ yearly gross household income), Middle income (40,000–70,000€ yearly gross household income), Higher (>70,000€ yearly gross household income)

APPENDIX H LOGISTIC REGRESSION PREDICTING WHETHER THE PROXIMITY TO THE BRANCH OF AN ALTERNATIVE COMPANY WAS A PULL FACTOR FOR SWITCHING BANK ACCOUNTS

	(1) Bank Account
Switcher (Ref: Non-switcher)	1.32 (0.46)
Age category (Ref: 18–39 years)	
40–59 years	1.44* (0.31)
60+ years	1.63* (0.43)
Income (Ref: Lower)	
Middle	0.71 (0.17)
Higher	0.70 (0.18)
Prefer not to say	1.23 (0.46)
Degree (Ref: Below degree)	0.56*** (0.11)
Female (Ref: Male)	0.89 (0.18)
N	510

Source: Authors' analysis.
Note: Odds ratios with standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
Lower income (<39,000€ yearly gross household income), Middle income (40,000–70,000€ yearly gross household income), Higher (>70,000€ yearly gross household income)

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